



FLASH BOURSIER

BULLS AND BEARS ACHIEVING SATISFACTORY RETURNS

Overview

Highlights:

UK general election

ECB to meet in Tallinn

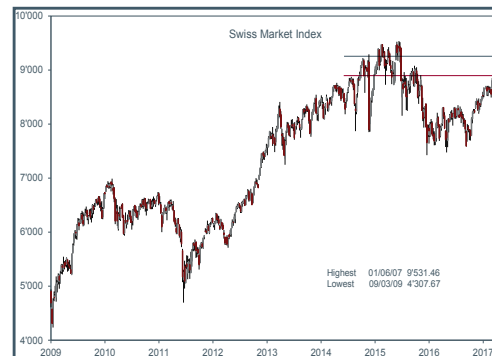
In recent months, practically everyone has achieved satisfactory return on their chosen asset class. Equity bears have gained from appreciation in the price of gold, the yen and bonds (the so-called safe havens). Meanwhile, equity bulls have been cheered by the strong gains chalked up on global stockmarkets.

Yet history tells us that these trends are unlikely to last forever and might even grind to an abrupt halt, cutting short the current mood of euphoria in financial markets. Fewer and fewer constituents of the S&P 500 are driving the index ahead, which may be an indication that risk assets are going off the boil. Besides, there are several reasons to be watchful: the political divide in Washington, worsening tensions on the Korean peninsula, structurally weak underlying inflation.

This week investor attention will be focused on the UK, where general elections are taking place amid a climate of terrorism. In many ways the vote will be crucial in regard to Britain's future place in the world as it will determine the leeway that Downing Street will have to negotiate access to the Single Market once Brexit has taken place.

The ECB's Governing Council will be meeting off-site in Tallinn, Estonia, this week to decide on monetary policy. Although borrowing conditions are unlikely to tighten, officials may change their forward guidance, used to steer economic stakeholder expectations. That will mean removing all references to possible further rate cuts and potential increases in the size of monthly asset purchasing. A more cautious shift by the ECB would be to announce a positive revision in its projections, which would entail stating that risks have become "balanced" instead of being "on the downside".

Although the ECB is unlikely to begin normalisation, the decisions made in Estonia will probably mark the first signs that it is starting along the same road as the Fed.



No change. SMI continues to fluctuate inside a trading range with support at 8900 points and resistance 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	0.96	1.09	9'043.96	3'591.82	12'822.94	5'343.41	7'547.63	2'439.07	6'305.80	20'177.28	1'015.08
Trend	↓	→	→	→	↑	→	→	↑	↑	↑	→
%YTD	-5.65%	1.35%	10.03%	9.16%	11.69%	9.89%	5.67%	8.94%	17.14%	5.56%	17.72%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS



Aryzta **(ISIN: CH0043238366, price: CHF 32.39)**

The group reported respectable third-quarter results for its split financial year. However, the actual figures were not deemed important as credibility is still lacking. Poor communication and a profit-warning sent the share plunging by 40% in January, costing the CEO and CFO their jobs.

Investors are now focusing on the group's 49% stake in frozen-food retailer Picard. To sell or not to sell, that is the question. Both Aryzta and Picard are highly leveraged. If Aryzta can improve Picard's financial position, the option to buy the equity (51%) that it does not already own will become commensurately more expensive. But selling Picard would deprive Aryzta of some tidy income. Perhaps the solution would be to keep Picard and conduct a rights issue?

That kind of decision will require a proper assessment of strategic options by a united executive that is no longer prone to communication gaffs. The appointment of the new CEO last week marks a first step in this direction. The second will be appointing a new CFO.

We advise holding onto the share until a clear strategy is implemented. Aryzta stands on the cusp of a rerating but two ingredients are still lacking: management willpower and investor confidence.

Apple **(ISIN: US0378331005, price: USD 153.93)**

Apple has released details of its smart speaker, the HomePod. This stylish cylindrical device sports six voice-sensitive microphones, which can react to voice commands to play music or even send a text message.

The aim is to rival Google Home and Amazon in the highly coveted digital assistant market. Though still a niche, it is growing fast.

Eight million units of Amazon's Echo, which can play music, read the weather forecast or make purchases on Amazon, were sold in 2016. And sales rose nine-fold in the holiday season. Hence the importance for Apple to offer its own smart speaker.

The HomePod will go on sale in December at a retail price of USD 349 – twice as much as Amazon's device.

Hold based on target at USD 165.

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