



FLASH BOURSIER

THE CHAOS CONTINUES IN WASHINGTON

Highlights:

Trump unable to fulfil pledges

Germany's Ifo index at record high

Overview

Financial markets are obviously racking up gains as the political noise in Washington slowly stifles all attempts to implement the announced reform agenda.

On Capitol Hill, Congress is proving to be a handful for the president, first of all approving fresh sanctions against Russia and then failing to repeal major parts of Obamacare. Combined with the usual diplomatic blunders, information leaks and the general brouhaha emanating from the corridors of the White House, these two latest Senate votes are a sign of Donald Trump's increasing inability to govern and get his pledged political reforms adopted.

As a result, doubts are becoming more prevalent, while the enthusiasm of economic cheerleaders has been drying up. With the Republican party riven by disagreements, some analysts now fear that the Fed's strategy of slimming down its balance sheet might be under threat if Congress cannot properly deal with the matter of the debt ceiling. Nightmare scenarios suggest that this could lead to a government shutdown and the cessation of some public services, resulting in serious turbulence for financial markets. Our view is that we'd expect congressmen and women to eke out a last-minute compromise. For now, the risk is minor.

In Europe, looking at latest data releases, one might almost be tempted to say that the political tumult earlier this year has given way to a mood of calm, especially in Germany. According to the Munich-based Ifo think-tank, the Germany economy has never had it so good. Its business climate indicator, based on a poll of some 7,000 firms, has reached a record high, rising from 115.2 in June to 116.0 in July – its highest reading since Reunification. It remains to be seen whether the euphoria will be borne out by the economic data to be released by Eurostat towards the end of the week.

The Bank of England will hold its Super Thursday meeting this week, when it will decide on rate policy and the configuration of its asset-buying. In current conditions, we think that the policy statement will be unchanged, considering the signs of economic slowdown in the UK economy as well as the recent dip in inflation.



No change to SMI configuration for now, inside a trading-range. Resistance is situated at 9150 points and ST support 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	0.97	1.14	9'019.31	3'467.73	12'162.70	5'131.39	7'368.37	2'472.10	6'374.68	19'959.84	1'062.97
Trend	➡	⬆	➡	➡	⬇	➡	➡	➡	⬆	➡	⬆
%YTD	-5.03%	6.19%	9.73%	5.39%	5.94%	5.53%	3.16%	10.42%	18.42%	4.42%	23.28%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS

logitech®

Logitech
(ISIN: CH0025751329, price: CHF 35.15)

Quarterly financials busted estimates, even though the first quarter of the fiscal year is usually the group's weakest.

Revenues rose by 10.4% versus the prior-year period to USD 530m, encouraging management to raise full-year guidance. Instead of the initial 5-10%, the group now sees growth in the 10-12% range.

Logitech has shown it can expand margins in spite of heavy capital spending. It is also remarkable that growth was in double digits in every operating region for the second consecutive quarter. By product category, the strongest growth came from smartphone/tablet accessories. Keyboards and mice are still the main source of revenue.

The share's performance has been red hot, both year to date (+37%) and over the past 12 months (+84%). Even so, following the improved growth guidance, multiples are still affordable.

Buy with a target at CHF 40.

Alphabet

Alphabet
(ISIN: US02079K3059, price: USD 958.33)

After 10 quarters of steady growth, the group has reported a dip in earnings, which plunged by 27% in response to a record USD 2.4bn fine levied by the European Commission in June for abuse of dominant market position via the Google Shopping price-comparison site.

Even so, results were exceptionally good. Revenue surged by upwards of 20% to USD 26bn, leaving estimates standing. YouTube, with its 1.5bn users, continues to contribute handsomely to top-line growth.

Ad revenues continue to grow steadily, rising by 18% last time round on a 52% increase in browser-advert clicks.

Revenues for the Google Other subsidiary, which houses the Pixel smartphone, Play Store and cloud services, advanced by 40% to USD 3.09bn.

Hold with a target at USD 1,100.

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