



FLASH BOURSIER

EURO CLOSE TO THE PAIN BARRIER

Highlights:

Unemployment hits 16-year low in the US

EUR quotes at 1.18 vs. USD

Overview

Friday's non-farm payrolls for July signalled a US labour market in fine form, with 209,000 jobs added versus the 181,000 forecast. Much of the hiring was seen in the healthcare and leisure sectors. The unemployment rate ebbed to 4.3%, marking a 16-year low. However, this did not put any pressure on payroll, as the average hourly wage increased by only 2.5% year on year to USD 26.36. Participation in the workforce remained low and productivity gains were marginal.

At the same time, investors are on the lookout for the slightest sign suggesting that the Fed wants to slim down its balance sheet at a quicker rate than suggested previously. Its recent remarks indicate that it will keep a close eye on inflation (CPI due on Friday), which for now is moderate. Conditions in debt markets, with the yield on 10-year US paper recovering marginally to 2.28%, convey a definite mood of scepticism regarding the Fed's scope to raise rates again this year. Meanwhile, with corporate earnings on average beating forecasts, equity indices have continued making headway, amid low volatility.

In the currency market, the euro – whose pain barrier versus the US dollar is estimated at around 1.20 – fell back below the 1.18 hand-

le on Friday, sending European equities higher. Sterling gave up a small amount of ground after the Bank of England had left rates on hold, revised down its growth forecast for the UK economy and warned that Brexit will dampen business investment and consumer spending (which fell by 0.8% last month). The euro has been gaining recently on the back of stronger economic conditions and expectations of a less loose policy from the ECB. Up by almost 12% against the buck year to date, the euro is curbing inflation but its strength is at the same time hurting exports – something which could show up in the second-half figures of European carmakers, for example. During the current summer lull, with macroeconomic indicators in short supply and blue chips not reporting figures, investors attention is likely to remain fixated on the euro/dollar rate.



The SMI ended the week at its highest level in almost two years. Major resistance is at 9500 points and ST support is situated 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	1.15	9'176.99	3'507.41	12'297.72	5'203.44	7'511.71	2'476.83	6'351.56	19'952.33	1'067.26
Trend	↑	↑	↑	➡	➡	➡	↑	➡	➡	➡	↑
%YTD	-4.63%	6.89%	11.64%	6.59%	7.11%	7.02%	5.16%	10.63%	17.99%	4.38%	23.77%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS



Swiss Re

Swiss RE
(ISIN: CH0126881561, price: CHF 92.05)

Second-quarter figures were mediocre. Although premium income edged up in relation to the prior-year period, net profit plunged by 35%, clocking in 12% below estimates.

To blame is Cyclone Debbie, which wrought damage in and around Australia in March and April this year, in the end costing the group over USD 360m.

Broadly speaking, non-life insurance again had a hard time, with premiums remaining under pressure. Life insurance fared better. The group is building an acquisitions strategy around this division.

Analysts expressed disappointment but a sense of perspective is needed. Swiss Re hopes to book more than CHF 2.7bn in earnings over the full year, thus safeguarding its rating and dividend of CHF 5 per share (yield 5.45%).

The share has plenty of appeal, with a book value of CHF 103 (price-to-book CHF 0.89). It is trading at a roughly 10% discount to peers.

Buy with a target at CHF 100.



Hugo Boss
(ISIN: DE000A1PHFF7, price: EUR 72.76)

Quarterly results from the ready-wear group beat broker estimates as the strategy put in place by new CEO, Mark Langer, started paying off.

Last November, he announced the closure of unprofitable stores, the development of online sales and a refocusing on men's ready-wear around Hugo and Boss.

Net profit totalled EUR 57.6m, which was almost five times higher than in the prior-year period. Sales revenue was up 2% at EUR 636m, which was EUR 17m more than expected.

Business was boosted by a strong Chinese market, where sales surged by 14%. In the US, Hugo Boss reverted to growth for the first time in two years.

Guidance for the full year was maintained, namely stable sales and earnings growth exceeding 10%.

Hold with a target of EUR 80.

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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