N° 430
16 October 2017

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

GOING WITH THE FLOW

Highlights:

Economic upturn in 3/4 of countries

Higher neutral Fed Funds rate

Overview

The annual meetings of the World Bank Group and the IMF were wrapped up in Washington this weekend. This event gave a chance for leading lights in the worlds of macroeconomics and finance to present their views on key themes for the world economy and the international financial system. A confident outlook on global growth trends was forthcoming, although participants also signalled that economies should not rest on their laurels and should stay aware about potential problem areas such as lending trends and public finances.

Proceedings showed that the economic recovery is deeply ingrained and covers a broad base, with three-quarters of the planet gaining traction. China estimates that its economy can continue expanding at around 7% in the second half of the year and plans to continue enacting measures furthering financial stability.

Central bank brass chiefly discussed inflation, which remains doggedly low, but they do not see the situation lasting for too much longer. Monetary policies are set to remain supportive of the recovery. According to Janet Yellen, the neutral rate for Fed Funds is marginally higher, compatible with gradual increases in short-term interest rates.

ECB governors still see inflation converging with the bank's target sooner or later. It was mentioned that quantitative easing may have reached its limits. Scope for reducing monthly bond buying was discussed, as continuing to buy Eurozone debt at a faster rate than it is being issued could result in imbalances.

For now, investors should keep up with the rising tide on equity markets. We see no reason for reducing exposure.

Upwards of 9250 points, we are bullish on the SMI with a target at 9500. In the event of a breach in 9000 points, the target will become 8750.

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	9'311.69	3'604.55	12'991.87	5'351.74	7'535.44	2'553.17	6'605.80	21'155.18	1'125.91
Trend	→	→	↑	→	↑	→	↑	↑	↑	↑	↑
%YTD	-4.46%	7.48%	13.28%	9.54%	13.16%	10.07%	5.50%	14.04%	22.71%	10.68%	30.58%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

AMS AG
(ISIN: AT0000A18XM4, price: CHF 71.60)

Business continues to expand for AMS, a maker of chips and sensors. Apple is currently shipping the iPhone 8, which contains sensors manufactured by the group. Sales of the iPhone 8 may not look like much, but this is partly due to consumers waiting for the high-end iPhone X, scheduled for release in November.

The production chain for the iPhone X reportedly experienced earlier glitches, specifically production of True Depth facial-recognition technology, for which AMS supplies the components. However, the iPhone X is now expected to enter mass production. All in all, the number of units shipped in the fourth quarter of 2017 is henceforth expected slightly lower at 35-40 million.

We expect Apple to implement facial recognition on all its iPhone models in 2018, but also on new iPad models. If that happens, sales estimates for 2018 may be on the low side.

Upside is still intact on the share, which is attractively valued on P/E based on the growth forecast.

Buy based on a target at CHF 80.

LVMH
(ISIN: CH0102659627, price: EUR 240.70)

The luxury goods behemoth maintained solid sales growth in the third quarter. Organic growth clocked in at 12% – well above expectations – despite a tougher prior-year base. It was driven by fashion and leather goods division, the group's main profit centre.

The recovery picked up in Asia (two-thirds of sales). Sales of leather goods in mainland China alone shot up by over 30% in the period.

Despite the stronger euro, sales increased in most divisions. The solid showing from Louis Vuitton and Christian Dior more than offset the dent from exchange rates and slowing sales in the wine and spirits segment – arising mainly because of cognac supply shortages.

LVMH issued a cautious outlook for the final quarter as it does not expect growth in China to remain quite as solid.

Buy based on a target at EUR 265.

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