



FLASH BOURSIER

ROCKIER RIDE AHEAD

Highlights :

Markets bounce back

Increased volatility

Overview

The upswing by equity market has been just as quick as the prior decline. But they are not yet out of the woods. Volatility has continued spiking over the past few weeks and key market indices are still under the pressure, irrespective of world region.

Most investors are placing the blame squarely on the slightly inflammatory remarks from Jerome Powell, the new Fed chief, and the new protectionist measures from the Trump administration.

Even though the climate of fear can be quelled by some reasonable explanations, commentators have not addressed one major issue, and that is volatility. It is normal to see volatility riding high during corrections, but it has also stayed elevated during the ensuing upswing, fuelled by the prospect of monetary policy normalisation. Investors will have to get used to the ambiguity that is set to hang over many asset classes in the future.

Stockmarkets could well continue ebbing and flowing in the months ahead as they digest the major recovery that took place throughout most of 2016 and all of 2017. Periods in which strong gains were witnessed are often followed by consolidation phases.

Amid the high volatility and the merry-go-round of uncertainties, investors are likely to remain focused on their long-term plans, fully aware that it will take time to bring some investments to fruition.

Taking the market's pulse on a daily basis is the cautious thing to do and it should be done calmly, as the pundits will try to over-analyse every single move. So long as recessionary risks are low, as is the case at the moment, we believe that the equity bull market can resume, once the hurdles have been overcome.

In the meantime, it will probably take time for key indices to level off. Moreover, investors may remain panicky until the current consolidation phase has run its course.

We recommend a neutral stance on global equities. Now is not the time for underweighting.



The SMI punched through support at 8750 points, suggesting that it will fluctuate this week between 8500 and 8900 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 | 0.94 | 1.16 | 8'628.51 | 3'324.75 | 11'913.71 | 5'136.58 | 7'069.90 | 2'691.25 | 7'257.87 | 21'181.64 | 1'182.06 |
| Trend | ➡ | ➡ | ⬇ | ⬇ | ⬇ | ⬇ | ⬇ | ➡ | ⬆ | ⬇ | ➡ |
| %YTD | -3.79% | -1.29% | -8.03% | -5.11% | -7.77% | -3.31% | -8.04% | 0.66% | 5.13% | -6.95% | 2.04% |

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS

FLUGHAFEN ZÜRICH



Flughafen Zürich
(ISIN: CH0319416936, price: CHF 211.80)

Zurich Airport's financials for 2017 showed another record in terms of passenger numbers: more than 29 million were counted, up 6.3% versus 2016.

Total revenue was up 2.4% with a 60/40 split between airline and non-airline activities. The latter were the main growth driver as the former were pinned down by a drop in airport taxes.

Net profit, adjusted for exceptional items, similarly rose by 4.5%. Financial results were in line with estimates, and 2018 is set to be another year of growth. We see net profit rising by 5-10% over the full year.

The plunge in the share price on Friday (down by -5% at its worst point of the day) marks a buying opportunity. Although the recommended dividend is not as high as expected, the company offers strong growth and clear skies.

Buy aiming for target at CHF 270.

Monster Beverage Company
(ISIN: US61174X1090, price: USD 54.16)

This company is the market leader in the US for distributing energy drinks. Its also markets these drinks globally through a distribution contract with Coca-Cola Bottling.

The substantial slowdown in Q4 2017 sales was a shock to investors, who were expecting a firmer end to the year. The share's sharp correction in the wake of the earnings report was mainly due to operating margin, which contracted to 36.7% as a result of sizeable marketing expenditure and the formation of distribution hubs.

Fourth-quarter sales were up 7.5% at USD 810.4 million. Earnings per share clocked in at USD 0.35 versus the consensus estimate of USD 0.37. Demand growth was slower than expected in the US. The non-US segment, from where the group sees expansion coming, was in contrast strong with sales rising by 9% on the back of market share gains.

We see the share regaining some of its fizz thanks to strategic initiatives targeting new markets (Argentina, India and Belarus) and new product launches in Canada and the US, helped of course by the ongoing share buy-back.

We have a Buy rating with a target at USD 70.

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