

# Shaky stock market performances

## Overview

Although inflation is not at a worrying level, the debate over its potential consequences continues to unsettle the markets. Fears are mainly focusing on a possible adjustment to the Fed's monetary policy, entailing a reduction in the pace of its asset purchases in the latter half of 2021 if the upward movement in prices proves heftier and longer-lasting than expected. Concern has been fuelled by America's ISM manufacturing index, currently at its highest level since 2008. Even so, it is the course of job creation, still far below its pre-pandemic level, that will determine whether or not the US central bank raises interest rates.

Stock markets have undoubtedly priced in a lot of good news including excellent company results. This explains the greater caution shown by investors and the lacklustre performances of benchmarks. The US market has edged up lately on the back of weekly jobless claims, which have fallen to their lowest level since the Covid crisis began. Cyclical stocks have largely trended downwards while pharma and the big tech stocks have held the market up. The major equity benchmarks have reflected a resurgence in the popularity of top-quality companies, i.e. those that can boast strong earnings.

---

*US weekly jobless claims are at their lowest level since the Covid crisis began*

---

The sanguine attitude to inflation voiced by some FOMC members and the steady roll-out of vaccination

programmes together point to a significant economic recovery. On the macro front, however, Germany's Q1 2021 GDP was off slightly at -3.1% year on year, dragged down by a large drop in the consumption component.

The Chinese authorities aim to curb the jump in commodity prices, especially in the metals segment, which are driving up production costs. Beijing says it will not tolerate speculation, and the same holds for cryptocurrencies. Financial institutions will be barred from offering services in this area and regulation of the "mining" and trading of bitcoins will be beefed up.

---

*China is taking action to curb the jump in commodity prices and cryptocurrencies*

---

China's announcements followed the about-face a few days earlier by Elon Musk, who declared that Tesla would no longer accept payment for its vehicles in bitcoin. The moves combined to unleash a wave of panic that sent many cryptocurrencies plummeting, proof that they are highly speculative investments. Moreover, to strengthen tax compliance the US also wants holdings in cryptocurrencies exceeding USD 10,000 to be declared to the Internal Revenue Service. In view of the uncertain economic and financial outlook, gold has performed well, in line with its role as a hedge and diversification tool.





## 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	0.90	1.09	11'225.58	4'025.78	15'437.51	6'386.41	7'018.05	4'155.86	13'470.99	28'317.83	1'330.04
Trend	➡	➡	⬆	➡	⬆	⬆	➡	➡	⬇	⬇	➡
YTD	1.46%	1.13%	4.88%	13.32%	12.53%	15.04%	8.63%	10.64%	4.52%	3.18%	3.00%

(values from the Friday preceding publication)

## The Sonova boom

Investors piled into Sonova shares in the wake of the company's earnings announcement. The stock price rocketed more than 21% last week. The leader in hearing aids surprised the market by reporting a net profit of CHF 585.3m, handily beating the forecast of 565.4m despite a 10.8% drop in revenue to CHF 2.60bn (forecast 2.5bn ).

All three of the company's divisions returned to growth in the second half of its financial year, with total sales up 6.6% in local currency. The bulk of revenue came from Phonak hearing aids, totalling CHF 1.43bn thanks mainly to Sonova's contract with the US Veterans Affairs Department, which accounted for 56% of sales. The revenues of the Cochlear Implants and Audiological Care divisions were down 15.9% and 8.7% respectively.

Sales momentum picked up sharply in the second half, led by the Asia-Pacific region where revenue bounced back 3.7%, while Europe (-6%) and the US (-10.8%) weighed down the total.

At the strategic level, Sonova signed an agreement to buy the General Public division of Germany's Sennheiser. This acquisition will enable the group to broaden its range of wireless headset products and thereby capture consumers sooner.

Sonova's management is confident regarding the current financial year. It is betting on a strong upturn in business which has been hurt by the pandemic. Noting that the company will benefit from its leadership position, it is forecasting a 24-28% jump in sales. As a consequence, the dividend was raised to CHF 3.20 and the share buyback programme, suspended in 2020, has been reactivated, totalling CHF 700m. The 2022 earnings forecast was also raised, by 30%.



## Authors and contact



**Julien Stähli**  
Chief Investment Officer (CIO)  
MBF Boston University



**Françoise Mensi**  
Ph.D in Economics



**Pierre-François Donzé**  
M. Sc. in Economics



**Karine Patron**  
MScF Université de Neuchâtel



**Mickaël Gonçalves**  
MSc in Accounting, Control and Finance

Banque Bonhôte & Cie SA - 2, quai Ostervald, 2001 Neuchâtel / Switzerland - T. +41 32 722 10 00 / [contact@bonhote.ch](mailto:contact@bonhote.ch)

[facebook.com/banquebonhote](https://www.facebook.com/banquebonhote)

[linkedin.com/company/bonhote](https://www.linkedin.com/company/bonhote)

[twitter.com/alexvincent](https://twitter.com/alexvincent)

[instagram.com/banquebonhote](https://www.instagram.com/banquebonhote)

[youtube.com/banquebonhote1815](https://www.youtube.com/banquebonhote1815)

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.