

FLASH BOURSIER

MARKETS RESILIENCE AMID RENEWED TENSIONS ON THE WORLD POLITICAL SCENE

Highlights:

Higher oil price

US banks kick off earnings season

Overview

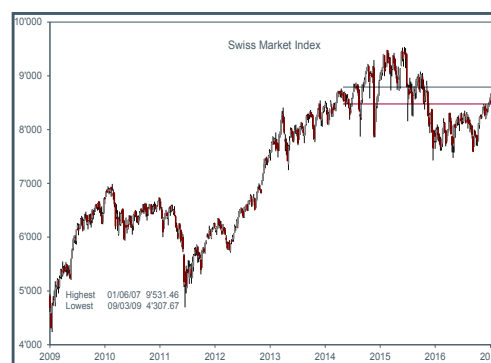
The world is certainly becoming a more dangerous place, with the US making its presence felt in Syria and in waters off the Korean peninsula. On the political front, Washington seems ruled by a policy of *fait accompli* while, in Europe, political certainties are splintering as elections approach. Even so, financial markets last week showed some resilience.

First of all, Trump flexing his muscles against Bashar al-Assad's airbase led to appreciation in the prices of defensive assets, especially crude oil, which shot up by 5% with scope for further gains on the back of a narrowing supply-demand gap and potential further cutbacks decided upon at the next OPEC meeting.

Investors also kept their calm in response to Fed minutes and official US job figures. Notes from the latest Fed meeting indicated that, in addition to raising interest rates, FOMC members were pondering slimming down the central bank's balance sheet. At first glance, this might have worried investors. However, these talks affirm that the US economy is hurtling along and ahead of Europe in terms of business cycle. The chatter is a sign that the economy is ready to return to normal. And while job figures were disappointing, this was to be expected considering

the steady improvement in the unemployment rate to a ten-year low of 4.5% recently.

This week all eyes will be on Turkey's president Recep Tayyip Erdogan, who is attempting to shore up power at home through a constitutional referendum. By neutering parliament and placing more power in the hands of an all-powerful executive, many fear that this will lead to a weakening in democracy. Separately, major US banks are due to kick off reporting season while the UK will release eagerly awaited inflation data, which will provide more information about the effects of Brexit by either confirming or negating the worrying uptrend observed since the time of the vote.



The SMI remains unchanged in its configuration as it awaits a reason for exiting the current consolidation phase. Support is still at 8400 and resistance 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	1.01	1.07	8'640.91	3'495.80	12'225.06	5'135.28	7'349.37	2'355.54	5'877.81	18'664.63	961.61
Trend	➡	➡	➡	⬆	➡	⬆	➡	➡	➡	⬇	➡
%YTD	-1.07%	-0.26%	5.12%	6.24%	6.48%	5.61%	2.89%	5.21%	9.19%	-2.35%	11.52%

(values from the Friday preceding publication)



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Galenica Santé
(ISIN: CH0360674466, price: CHF 43.-)

Galenica Santé was floated on Friday. The former parent company, Galenica, has birthed two separate entities:

- Vifor Pharma, a drug maker, and
- Galenica Santé (which will simply go by the name of Galenica), which houses the pharmaceutical retailing and logistics wing.

The flotation price was set at CHF 39, in the upper reaches of the forecast range. This valued the company at CHF 1.95bn.

Galenica Santé's prosperity is built on margin growth (in what is the densest network of pharmacies in Switzerland), sales of its own products and steady cash-flow from the wholesale trade.

The main pull for investors is the generous dividend yield, estimated at 4%. Management expects organic growth of 1-2% over the next three years as well as further margin expansion.

The flotation was a hit, experiencing strong demand from investors. Galenica Santé ended the day at CHF 43.

Buy on weakness.



Tesla Inc.
(ISIN: US88160R1014, price: USD 302.54)

Electric car titan Tesla sold only 76,230 cars in 2016 compared with General Motor's 10 million but its market capitalisation (USD 49.53bn) is fast catching up to General Motors (USD 51.34bn). Even now, it is worth more in the market than Ford (USD 45.4bn).

Tesla's share price was recently propelled higher by a rise in first-quarter shipment figures (25,000 vehicles) in a period during which US market rivals saw a sharp slowdown in sales.

Tesla is part of a high-growth industry that encompasses electric vehicles, solar power and energy storage. There is no doubt that Tesla's multiples are stratospheric. We indeed think that the price is too high given that the company is still not profitable, does not pay a dividend and is burning through its cash reserves at lightning speed.

However, this massive capital spending is needed in such a capital-intensive industry, leading probably to higher output and economies of scale, resulting higher margins and – one day – a net profit.

We have a speculative rating with a target of USD 340.

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