



FLASH BOURSIER

THE SWEETNESS OF OPTIMISM

Highlights:

**Political risks
dwindling**

**Markets
brimming with
confidence**

Overview

In many ways, the outcome of France's presidential election will be remembered as historic. It signals the end of the traditional left-right divide as well as embodying the renewal of the political landscape. The result has also instilled a mood of optimism in a long-divided country and across a Europe short on political willpower. The vote also seems to mark a shift in the nexus between doubt, on one hand, and confidence, on the other – the latter being vital for progress.

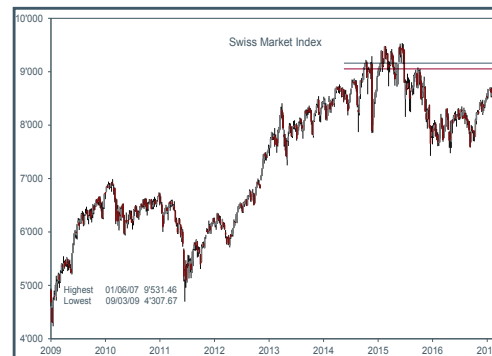
Unsurprisingly, the mood of optimism lifted global financial markets straight away, starting with Asian markets, which opened higher in the wake of the election result. Specifically, the Japanese broad index – the Topix – hit its highest level since December 2015, partly also because Wall Street had closed on Friday at a record high following the release of job data. In contrast, some economies are still facing stiff headwinds, such as China, where a chill wind has been blowing after the release of downbeat economic data stoking concerns over its financial stability.

The single currency shot up towards the end of last week as the probability of a Macron victory rose. As we write, the euro seems to be levelling off. Investors are doubtless harnessing the move to pocket some of their

gains and then positioning on the long side ahead of further prospective appreciation.

Generally speaking, investors are brimming with confidence and driving markets ahead, encouraged by a solid global growth outlook, upbeat corporate earnings and dwindling political risks in Europe. However, given the trend in credit spreads coupled with strangely low volatility at the moment and rich stock multiples, caution remains the watchword when investing.

Lastly, it is worth making a connection between the above political, economic and financial considerations. As in France, good news or sound new ideas cannot make headway in a climate where doubts are looming large. Nor can progress be made on the future challenges represented by the economic, social and ecological transition. As in politics, confidence is the lifeblood of the global economy



The SMI has hit its ST target after climbing 5% in two weeks. We now expect it to nudge 9160 points before levelling off.

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	0.99	1.09	9'016.66	3'658.79	12'716.89	5'432.40	7'297.43	2'399.29	6'100.76	19'445.70	978.27
Trend	➡	➡	⬆	⬆	⬆	⬆	➡	⬆	⬆	⬆	➡
%YTD	-3.11%	1.39%	9.69%	11.19%	10.76%	11.72%	2.16%	7.17%	13.33%	1.73%	13.45%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS



Swiss Re (ISIN: CH0126881561, price: CHF 89.45)

The reinsurance giant has reported first-quarter numbers. Although showing a drop relative to the same period in 2016, both earned premiums and net profit were higher than expected.

The cyclone that hit Australia in March is expected to cost USD 350m. Overall, natural catastrophe losses were more than half the average amount over the past decade.

The group is facing pricing pressure relating to capacity gluts in the market. Swiss Re has a solid capital position that is the bedrock of its double-A rating.

The 5.4% dividend yield combined with buybacks make the share an attractive investment to hold. After correcting by around 10% since the beginning of the year, the price has recovered slightly.

The share is poised to revisit the CHF 100 zone. Buy.

Alstom (ISIN: FR0010220475, price: EUR 29.81)

Strong quarterly results have been reported by Alstom, now refocused around transportation after the sale of its energy business to General Electric.

Figures have recovered enough to allow the group to restart dividend payments (EUR 0.25 per share) for the first time since 2013. With EUR 10bn of orders for the third consecutive year, Alstom has risen to leading positions on all continents.

The group also reiterated 2020 targets for annual organic sales growth of 5% and an operating margin in the vicinity of 7%. Alstom has no plans to change its strategy of offering all-in systems, e.g. signalling and maintenance systems, rather than simply selling rolling stock (tram, underground trains and overhead trains).

It is expected that side businesses will represent 60% of the top line in 2020.

The company has firmed up its balance sheet and boasts a first-class order backlog.

Recommended as Hold with a target price of EUR 32.

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