

# FLASH BOURSIER

## SIGH OF RELIEF

**Highlights:**

**Hurricane-related damage lower than expected**

**Solid economic fundamentals**

### Overview

The damage to Florida from Hurricane Irma has been far less extensive than expected. It was ranked as a maximum category-five hurricane as it reached the US coast – the most powerful ever since records began. But thankfully, it has lost much of its force since then. And despite the mass flooding and widespread power cuts, the total cost of the damage may amount to only one-third of the USD 200 billion expected before the weekend. Though still high, the sum represents only a fraction of what the infamous Hurricane Katrina cost back in 2005 (USD 160 billion in today's terms).

As such, a sentiment of relief is pervading markets as we head into the week, especially as Kim Jong-un did not take the same kind of provocative action as he did on the previous two Sundays. We therefore expect investors to refocus on economic fundamentals for inspiration in the coming days. And that spells good news. Growth trends remain intact, corporate profits are rising and central banks no longer seem to be in a hurry to tighten monetary policy. A case in point is Mario Draghi's comment at the press conference held after the monthly ECB meeting, during which he emphasised the need to wait for more data before steering monetary policy in a new di-

rection. Additionally, Sweden's Riksbank held its key rate at -0.5% despite 4% GDP growth in the second quarter, inflation of 2.2% and surging household indebtedness. The only reason why the Riksbank is sticking to such an extreme position is that it does not want to see the krona surge, which it would in the event of a rate rise.

The above signals that the currency market may become the new weathervane for central banks. The euro's near-15% surge against the dollar year to date has wrong-footed all parties, and the ECB does not want to make the move worse by unilaterally scaling back quantitative easing. This probably marks the onset of an observation period. Who will dare make the first move?



On Wednesday the SMI hit support at 8800 points but subsequently bounced upwards. The major resistance is at 9500 points. Support is still 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
<b>Latest</b>	0.94	1.14	8'912.05	3'447.69	12'303.98	5'113.49	7'377.60	2'461.43	6'360.19	19'274.82	1'091.17
<b>Trend</b>	↓	→	→	→	↑	→	→	→	→	↓	↑
<b>%YTD</b>	-7.45%	6.05%	8.42%	4.78%	7.17%	5.17%	3.29%	9.94%	18.15%	0.84%	26.55%

(values from the Friday preceding publication)

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## SPOTLIGHT ON STOCKS



**Peugeot**  
**(ISIN: FR0000121501, price: EUR 18.02)**  
**BMW**  
**(ISIN : DE0005190003, price: EUR 82.52)**

The Peugeot share price corrected at the end of the week after accusations by France's General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF) that the group sold almost two million vehicles with engines that faked their air pollutant emissions.

Peugeot has denied any fraudulent strategy and vehemently reaffirmed that its technology is effective in cutting car-based pollution.

At the current price, the share remains fully valued in our view and we consider upside potential more limited.

In the sector, we prefer BMW, whose sales have grown constantly since 2007, now standing at EUR 95bn (+60% over 10 years). Half of this is generated in Europe with the rest divided between the US (30%) and Asia (20%). EBIT margins are remarkably stable (10% a year since 2010). BMW is currently preparing all its plants for electric vehicles. By 2025, 25 models in the range should have been electrified, half of which with a plug-in hybrid engine and the other half all- electric. The group is set to increase R&D spending over the next three years, this having already exceeded EUR 5bn in 2016.

**At 7.5x prospective earnings, the group remains attractively valued to us. Target price is EUR 95.**



**Aryzta**  
**(ISIN: CH0043238366, price: CHF 29.83)**

The bakery goods group has appointed Frederic Pflanz (49) as its new Chief Financial Officer. He previously held a similar position at Remy Cointreau and has also worked for the L'Oréal group.

The market was pleasantly surprised by the chosen candidate. The nomination completes the overhaul of the management team after the fiasco in February, when the CEO, CFO and the Americas head simultaneously resigned. Today, a new CEO and CFO have been recruited and the Americas position has been filled ad interim.

We expect decisions to be made in the short term as soon as the CEO and CFO take up their positions (September 2017 and January 2018 respectively), notably on the issues that have been dogging the share price for two years now. These include the future of the stake in frozen food manufacturer Picard, the group's debt level and its general strategic vision.

**Aryzta is at a crossroads that offers an opportunity to unblock the situation and restore the image of its management team. We recommend that investors hold onto the share. There may even be grounds for accumulating.**

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