



FLASH BOURSIER

IS THE DOLLAR STAGING A COMEBACK?

Highlights:

Strong US economic statistics

Dollar appreciates against all major currencies

Overview

The cautious sentiment towards the dollar seems to have subsided since the last meeting of the US Federal Reserve Board (Fed). Janet Yellen's statements that monetary policy tightening should continue and that it was time to reduce the size of the central bank's balance sheet preceded the release of solid economic statistics in the US. The latest is the average hourly wage, which has increased by 2.9% over the last 12 months. That would suggest that low unemployment is starting to create more and more upward pressure on wages. Income growth is often a precursor to renewed inflation, which is a key factor in monetary policy. Indeed, it was the low inflation that prompted the Fed to keep policy nice and loose this last time round.

If we also consider that the likely drop in corporate tax rates, currently under discussion in Congress, are set to support growth and trigger a repatriation of some of the profits accumulated abroad, the stars are appearing to line up for the greenback. The buck has fared significantly better in recent weeks, gaining ground against all major currencies. Despite this recent firmness, speculative short positions remain at a very high level, underscoring the scepticism surrounding the sustainability of the move.

Although unlikely, some events could undermine this positive dollar scenario. These include the conflict with North Korea spiralling out of control, or the Trump administration being unable to put together credible tax reforms. In addition, let us not forget that several Fed Governors will change at the end of the year, which could call into question the current trend towards a gradual tightening of monetary policy.

The prospect of a stronger dollar, combined with the wide rate spread between the Swiss franc and the buck, leads us to strengthen our positions in the US currency.



Sentiment remains positive and the SMI should continue to rise towards 9500 points. Major resistance lies at 9500 points and support is 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	0.98	1.15	9'252.12	3'603.32	12'955.94	5'359.90	7'522.87	2'549.33	6'590.18	20'690.71	11'103.12
Trend	↑	➡	↑	↑	↑	↑	↑	↑	↑	↑	➡
%YTD	-3.98%	7.10%	12.56%	9.51%	12.85%	10.23%	5.32%	13.87%	22.42%	8.25%	27.93%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS



EMS-Chemie Holding AG **(ISIN: CH0016440353, price: CHF 633.50)**

High-performance plastics manufacturer EMS-Chemie has reported a 6.7% rise in nine-month sales, bang in line with market expectations.

The group has refocused on the polymer division, which accounts for more than 87% of its sales – a move which makes sense considering that this division also has the best top-line growth (7.3%). EMS-Chemie has shown resilience during economic downturns thanks to strict cost controls and shrewd strategic choices.

The group has no debt and has a cash position of more than CHF 370 million. However, the group derives more than 50% of its top line from the sale of plastic components to the automotive sector. This concentration automatically exposes it to any shift in gear by the latter industry.

The share is trading on a clear premium versus the sector, which is partly justified by pristine fundamentals. However, it is richly valued, trading above 30 times 2018 estimated earnings.

On technicals, the share price could fall back into the CHF 560 zone, which would constitute a buying opportunity.



Sanofi **(ISIN: FR0000120578, price: EUR 86.26)**

French drugmaker Sanofi is set to launch the process of divesting its European generic drug business, which markets under the Zentiva brand name. Sanofi is reportedly expecting to raise up to EUR 3 billion through this sale.

Sanofi has appointed two investment banks, Rothschild and JPMorgan. With sales amounting to EUR 800 million in 2015, the group's generic operations are both solid and profitable. But in order to continue gaining market share, Sanofi would need to expand into other segments in which it is not well positioned.

On the other hand, the group is determined to maintain its generic business elsewhere in the world, as such a portfolio is ideal for taking on emerging markets. Many private equity funds have apparently already expressed interest in the French unit, including Blackstone, CVC, Carlyle and Advent.

Olivier Brandicourt took over as head of Sanofi in April 2015 pledging to overhaul the group's strategy.

Hold positions targeting EUR 95.

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