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BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

AN AMERICAN-STYLE WEEK

Highlights:

Trump's first year in the White House

US consumer confidence riding high

Overview

Fed minutes, Thanksgiving and Black Friday – last week had a decidedly American flavour to it. It is worth drawing attention to the importance of Black Friday, which (much like Halloween previously) is taking Europe by storm. It is traditionally the day of the year when retailers move from red into black figures. Until then, it has taken almost 11 months of sales to cover all the expenses for the year, and on the evening of that day (which is one day after Thanksgiving and marks the start of the Christmas shopping period) retailers start to make a profit. Red Thursday, initiated by Media Markt this year, is possibly a nod to this tradition.

Staying with the US, November marks the first anniversary of Donald Trump's election. His popularity score is desperately low, as fewer than 40% of voters are positive about his record. Outside of the US his actions often seem unintelligible. Even so, he has succeeded in boosting the economy and financial markets by galvanising consumer confidence. Growth has edged above the 3% mark and unemployment has hit a low of 4.1% and does not seem ready to halt its decline. This outcome is the result of protectionist threats, a rebooting of coal production and renewed drilling for shale oil and gas amid the country's exit from the Paris Agreement – not to mention massive support for the defence industry. The tightening of immigration inflows (-40% since taking office) and "reshoring" by US companies are boosting hiring. The move could even gather pace with the prospective approval of the massive tax cut (pending the Senate vote) and the many attempts to deregulate several sectors of the economy, especially in the banking industry.

Summing up, Trump's focus is creating jobs by boosting personal consumption, whatever the cost. Pollution, creeping protectionism, the risk of a surging budget deficit, and reckless risk-taking in financial markets and by banks are merely corollaries of little importance to the new administration. So far the wager seems to be paying off. US consumer confidence is riding high. People are spending, investing and have regained the feeling of being able to flex their muscles. This, in turn, is fuelling economic growth and sending the S&P 500 on to continuous records highs.

The SMI has swung back upwards, with sights set on the major resistance at 9500 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	1.17	9'325.60	3'581.23	13'059.84	5'390.46	7'409.64	2'602.42	6'889.16	22'550.85	1'154.26
Trend	↓	→	↑	→	→	→	→	→	↑	→	↑
%YTD	-3.98%	9.06%	13.45%	8.83%	13.75%	10.86%	3.74%	16.24%	27.98%	17.98%	33.86%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

Swatch Group AG
(ISIN: CH0012255151, price: CHF 365)

Swiss watch exports, figures for which were released last week, provide further evidence of the sector upswing. Sales have been recovering since July and the upturn has been so firm that Nick Hayek is confident of reaching the 7-9% growth target for the full year.

By region, Asia is where business is growing strongest, chiefly in Hong Kong and China. This is a godsend for Swatch, which generates 58% of its sales in greater China. The inventory glut in Hong Kong has been absorbed, and this is likely to feed into orders – especially considering the attractive new models on offer from the group in this year-end period.

Swatch did not slim down its cost base earlier in response to lower demand, meaning that the pick-up in business is set to boost margins through the effects of operating leverage.

The balance sheet is solid. Cash assets exceed CHF 1 billion and debt is close to zero.

Buy aiming for target at CHF 400.

Volkswagen AG
(ISIN: DE0007664005, price: EUR 169.10)

The group has raised its sales targets for 2020, thanks in particular to growing demand for its new SUV models. The world's leading car manufacturer is now forecasting 2020 sales more than one-quarter higher than the record EUR 217 billion reported for 2016.

The group also announced a massive capital spending drive amounting to €34 billion, spread over five years. This will be devoted to electric vehicles, self-driving technology, new mobility services and digitisation. More than half of the sum is earmarked for the electrification and hybridisation of regular models.

Whereas electric vehicle programmes were previously isolated initiatives, Dieselgate (in September 2015) has turned the tide. For a year now, carmakers have been outbidding each other with their announcements. However, the programmes have seldom been quantified and those that have are blown out of the water by Volkswagen's announcement.

The share is almost back at its pre-Dieselgate price.

Hold aiming for target at EUR 190.

Authors:

Jean-Paul Jeckelmann,
CIO, CFA

Françoise Mensi,
Ph.D in Economics.

Pierre-François Donzé,
M. Sc. in Economics

Julien Stähli,
MBF Boston University

Valentin Girard,
CFA

Contact:

Banque Bonhôte & Cie SA
2, quai Ostervald
2001 Neuchâtel / Switzerland
Tel. +41 32 722 10 00
info@bonhote.ch
www.bonhote.ch

facebook.com/banquebonhote

linkedin.com/company/banque-bonh-te-&-cie-sa

twitter.com/alexnvincent