N° 440
8 January 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

STARTING 2018 ON A HIGH NOTE

Highlights:

Climate of confidence

Risk assets likely to flourish

Overview

Whereas 2017 began in a climate of fear amid several unknowns, this year has got off to a strong start as confidence is riding high almost everywhere. Precisely one year ago Donald Trump's election, the first rate rise by the Fed together with the upcoming French and German elections and the Brexit process worked together to create a mood of uncertainty over how national economies and financial markets would fare in 2017. Today, the picture is quite the opposite. Sentiment indicators are extremely positive, growth is picking up pace around the globe and unemployment is on a downtrend. At the same time, corporate profits are improving, inflation is under control and there are few impending political events seemingly capable of knocking financial markets off balance in 2018. Furthermore, the Fed's tightening policy, consisting of three quarter-point rate rises and the beginning of the tapering process for its balance sheet, has so far had no noticeable effect – which has further bolstered investor confidence. Admittedly, central banks have been particularly attentive in recent years to avoid wrong-footing markets and have made it patently clear time and again that they want to maintain high levels of liquidity in the economy and financial markets.

In view of the above, the uptrend last year is set to continue unbroken into 2018. Risk assets such as equities and high-yield bonds are likely to be the focus, whereas we expect government bonds to fall by the wayside. After a few lean years, commodities look set to perk up, especially if accelerating economic growth and lower unemployment feed into inflation. Even so, it would be premature to announce a revival in commodity prices.

No specific risks are looming on the horizon. Tensions might blow up again with North Korea or inflation could stage a comeback, but neither of these factors are likely to spiral out of control. The primary risk is probably excessive confidence leading to poor decision-making and overbuying.

Index has changed formerly active resistance at 9500 points into a support and is now heading to 9900 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	0.97	1.17	9'556.98	3'607.63	13'319.64	5'470.75	7'724.22	2'743.15	7'136.56	23'714.53	1'201.01
Trend	➡	➡	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆
%YTD	0.04%	0.19%	1.87%	2.96%	3.11%	2.98%	0.47%	2.60%	3.38%	4.17%	3.67%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

YPSOMED
(ISIN: CH0019396990, price: CHF 167.90)

The share price of YPSOMED, a company making injection supplies and insulin pumps, ended the year down 12% after fluctuating sharply throughout 2017. Market capitalisation still exceeds CHF 2 billion. YPSOMED markets unbranded products to pharma and biotech majors. In contrast, it sells diabetes care products directly to customers and doctors under its own brand.

In July, news that the partnership with US firm Insuletto for distributing pumps outside the US had ended took the market by surprise and sparked a sell-off of 40% relative to the May high. We see the correction as overdone because the group could move into a strong position in the insulin-pump market. This is because two competitors are pulling either partially or completely out of this business (Roche and Animas).

Additionally, the group has raised full-year sales-growth guidance from 15% to 18%. Ypsomed also has strong global positions in niche products such as injector pens.

Technically the share is attractively positioned as the price has dropped to the 100-day moving average, making this an excellent place for taking a long position.

Buy with target at CHF 190-200 in mind.

INTEL
(ISIN: US4581401001, price: USD 44.74)

Our view is that Intel's recent correction – fuelled by the discovery of a design fault in its processors – provides an opportunity for buying.

The group stands to gain from the widespread adoption of its next-generation Xeon platform, which is optimised to function with cloud infrastructure. Intel also pays a solid dividend.

The security shortcomings are in fact common to all processors designed over the past decade or so, including those of its competitors. These faults provide a backdoor into the PC, tablet and smartphone memory, enabling hackers to retrieve sensitive data such as passwords.

Even so, the spotlight is on Intel, which has indicated that the design faults (known as "meltdown" and "spectre") will be patched in future updates.

Buy with a target at USD 50 in mind.

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