N° 463
18 June
2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

A BUSY WEEK FOR CENTRAL BANKS

Highlights :

Fed raises key rate

Hopes for Euroland rate rise dashed

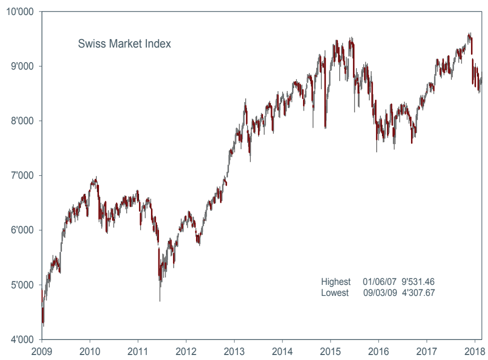
Overview

Last week may well prove to be the most eventful week for central banks this year. For the most part, everything happened just as financial markets had anticipated it, with the exception of the European Central Bank (ECB). Chief Mario Draghi made comments about the bond-buying programme and when the first rate rise can be expected whereas investors had been expecting these subjects to be broached at the July meeting. Specifically, the ECB plans to pull the plug on QE at the end of 2018. It will start by tapering the monthly amount from the current €30 billion to €15 billion in the final three months of the year. And it warned that the main policy rate would not be lifted before summer 2019.

The ECB's announcement came only hours after the US Federal Reserve raised its Fed Funds rate for the second time this year. Fed chief Jerome Powel said there more would follow this year, stating at the press conference that the decision was a further endorsement of an economy that was in fine fettle and enjoying low unemployment.

Both the euro and Euroland bond yields plummeted in the wake of the ECB's commitment to keep interest rates at their all-time low for a good while longer. Investors now see the first rate increase from the ECB in autumn 2019.

On Thursday this week, the Swiss National Bank (SNB) will give its own monetary policy assessment. As is its wont, the SNB will not comment on the ECB's plans. But the latter's policy of keeping rates at rock bottom for a while to come will still impact monetary policy here in Switzerland. Some analysts think a rate rise may be around the corner but we reckon that the SNB will continue marching to the beat of Europe's drum so as to avoid renewed appreciation by the Swiss franc. Accordingly, the SNB is unlikely to lift its key rate before summer 2019.



The SMI is lacking positive impetus. Support is still located at 8500 points. On the upside, there is still a gap to be filled around 9250 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	1.00	1.16	8'642.60	3'505.02	13'010.55	5'501.88	7'633.91	2'779.66	7'746.38	22'851.75	1'113.76
Trend	→	→	→	→	↑	→	↓	↑	↑	↑	↓
%YTD	2.39%	-1.10%	-7.88%	0.03%	0.72%	3.56%	-0.70%	3.97%	12.21%	0.38%	-3.86%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

Adecco
(ISIN CH0012138605, price: CHF 60.38)

We are reviewing Adecco again after it reported lack-lustre earnings in May. Financial results were hit hard by temporary factors such as strikes, the flu epidemic and strategic investments but organic growth was still a strong 6%.

Two innovations by the group in France (27% of revenue) are worth mentioning:

- In 2016, Adecco started a work-study initiative aiming to adapt the supply of applicants to compensate for shortages of order processors, warehouse staff and call centre agents. At the time, over 100,000 temporary assignments (15% of annual total) could not be filled annually because Adecco was lacking people with the right qualifications.
- It has also set up a platform which can be used by the self-employed labour force (between 800,000 and 3 million people, depending on source) to make themselves known to companies wanting to bring in externals.

This platform, which does not offer fixed positions and was developed in conjunction with Microsoft, also offers self-employed workers a range of services such as bookkeeping, legal advice and group-rate insurance so that they can focus on their core business. It also commits to paying invoices within 72 hours. Self-employment is a growing trend worldwide, and Adecco thinks the ranks of this particular workforce could eventually be three times bigger than the temporary staffing market.

We advise buying the share. It is on our recommended list.

Casino
(ISIN: FR0000125585, price: EUR 33.78)

The group has announced plans to sell of swathes of assets so it can pay down debt – a subject that has been troubling investors. At the end of last year, the group's debt burden had reached over €4 billion. The share has taken a beating recently and is trading close to a secular low.

Casino plans to sell €1.5 billion worth of assets, mainly property assets. This will entail selling the real estate of some of its stores – especially Monoprix stores situated in prime locations in Paris.

Additionally, Casino reiterated its targets for 2018. The company forecasts that operating profit will increase by over 10% in France. We see this guidance as providing a floor for the share price.

Our investment recommendation is that the reassuring guidance and planned divestments are likely to spark a re-rating in the share during the coming months.

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