



**FLASH**  
BOURSIER

**TRADE WAR GETS STARTED IN EARNEST**

**Overview**

**Highlights :**

**US charges 25% import on some Chinese goods**

**China and US on a slippery slope**

The trade war between the US and China is in full swing. After months of bluster, a 25% duty on USD 34 billion of Chinese imports into the US took effect shortly after midnight last Friday. China reacted immediately. Both parties have cast themselves in the role of victim. But behind this conflict lurks a different story.

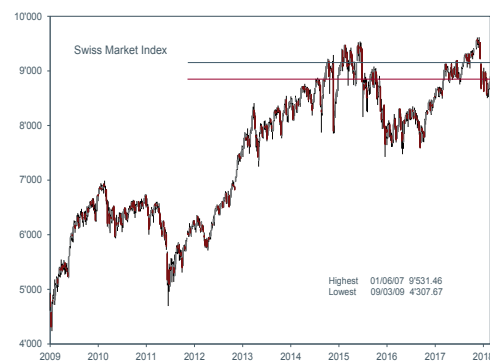
For several years, US foreign policy had a positive stance towards China, and the US was a major supporter of its integration within the global community. The World Trade Organisation has never taken any direct political measures in response to China's manipulation of the yuan. Rather, it has spoken up in favour of China's development by trying to include it in the global trading system, in spite of repeated abuses.

For all these years, America has been going out its way to avoid conflict while encouraging China to enact reforms and open up its economy by ushering it into a global apparatus built around free markets and liberal values. The problem is that China has never really accepted this system.

A rapidly growing China that played by the rules and upheld liberal economic principles would have been well received. Despite their warring past, European countries, the US and

Japan share a common understanding of the rules and are ultimately committed to free markets. That is not a vision that China shares, which is why it is now at loggerheads with the US. Meanwhile Donald Trump seems oblivious to this backstory and is focusing primarily on the bilateral trade deficit and manufacturing jobs. His administration also views China as a competitor in strategic industries. Reacting to this more aggressive approach, Chinese state media have asserted that Washington is trying to stop the country from moving forward. Yet despite the verbal jousting in public, the US and China seem well aware that they are on a slippery slope.

We think the parties will come to some kind of agreement in the medium term, especially once the costs of this trade war start impacting people's pockets and companies' profits.



The SMI gained by 1.02% to close at 8697 points last week. If the bounce continues, targets will be 8850 followed by 9000 points. If the key level at 8500 points, the target will then be 8250 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>	0.99	1.16	8'697.42	3'448.49	12'496.17	5'375.77	7'617.70	2'759.82	7'688.39	21'788.14	1'059.97
<b>Trend</b>	➡	➡	⬆	➡	➡	➡	➡	➡	➡	⬇	⬇
<b>%YTD</b>	1.54%	-0.66%	-7.30%	-1.58%	-3.26%	1.19%	-0.91%	3.22%	11.37%	-4.29%	-8.50%

(values from the Friday preceding publication)

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## SPOTLIGHT ON STOCKS



### Selecta Talk of Swiss IPO

There is talk that Zug-based firm Selecta, which operates some 45,000 machines drinks and snacks machines throughout Europe, may seek an IPO on the SIX Swiss Exchange this year. The company earned revenue of CHF 428 million in the second quarter of 2018.

Selecta was founded in 1957 and listed on the Swiss stock exchange in 1997. In 2001, it was bought by British group Compass. After another change in ownership, Selecta was acquired by KKR, a private equity group, in 2015.

According to inside sources, KKR is working with financial advisory firm Lazard on the idea of issuing shares equivalent to CHF 1 billion.



### Airbus (ISIN: NL0000235190, price: EUR 99.45)

Global air traffic is set to expand by 4% annually in the years ahead, fuelled by the growing middle classes in emerging economies and increased trade.

In a global marketplace that is becoming increasingly segmented, Airbus is taking on Boeing by setting up a new medium-sized division, which will house the A321 and A330 as well as other aircraft capable of handling medium and long-haul flights. Over the next 20 years, Airbus expects this segment to represent 15% of shipments versus 5% for wide-body aircraft.

Most of the issues relating to manufacturing glitches affecting Pratt&Whitney engines have been cleared up, which is likely to reduce shipment delays. Airbus expects to ship 800 aircraft this year, i.e. 75 more than in 2017. It also expects margin on commercial aircraft to increase towards 7%.

We recommend a long position in Airbus, which we think will regain the skies after taxiing on the runway.

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