N° 476
18 September 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

US INFLATION FALLS SHORT OF FORECASTS

Highlights :

Central banks grab the headlines

USD under pressure

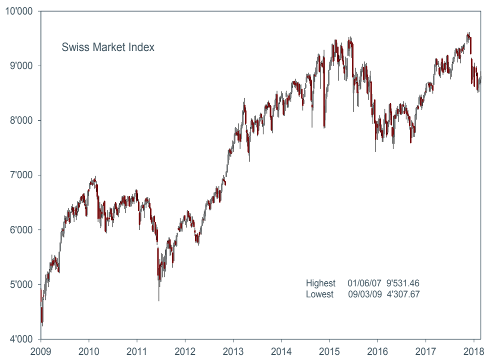
Overview

It was a decade ago that Lehman Brothers was allowed to fail, triggering a full-blown credit crunch. One of the most intriguing sides of the financial crisis that was let loose in 2008 is the poor public understanding of what actually happened. Part of this is due to the sheer scale of the event and the difficulty in identifying the forces that built up behind the scenes over the years. Many think that the collapse of Lehman Brothers triggered the crisis, which reflects a basic incomprehension of the complexity represented by the meltdown. Lehman had plenty of issues, many of which were common to other US major banks and brokers: too many overvalued assets, too much leverage (i.e. borrowing), too little capital and defective risk monitoring. Lehman was simply one of the most indebted and under-capitalised of the lot.

Since then, crisis management mechanisms have been improved and lessons learnt. Central banks came to the rescue of the market by injecting an unprecedented amount of liquidity. Regulators made rules to place banks on a firmer footing, most notably by toughening up capital ratios. Another system-wide credit crunch contaminating a cascade of different banks now looks unlikely from where we're standing.

Central banks hogged the limelight last week. Turkey's central bank hoisted its benchmark rate to 24%, representing an increase of 625 basis points, whereas investors expected a new rate of 21%. As projected, the Bank of England and the European Central Bank kept their key rates unchanged.

Investors also kept an eye on important economic indicators out of the US. August inflation fell marginally short of the market consensus. The headline index showed inflation of 2.7% versus the 2.8% expected and 2.9% in the previous month. The surprising result was the core index (excluding food and energy), which slowed to 2.2% versus 2.4% in the previous month (this was also the forecast figure). These economic numbers put pressure on the dollar, allowing emerging market currencies to come up for air.



The SMI last week stayed at the lower end of its ascending channel. A recovery has potential to lift it to 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	0.97	1.13	8'970.00	3'344.63	12'124.33	5'352.57	7'304.04	2'904.98	8'010.04	23'094.67	1'028.53
Trend	➡	➡	➡	➡	➡	➡	⬇	➡	➡	⬆	➡
%YTD	-0.61%	-3.83%	-4.39%	-4.55%	-6.14%	0.75%	-4.99%	8.65%	16.03%	1.45%	-11.21%

(values from the Friday preceding publication)

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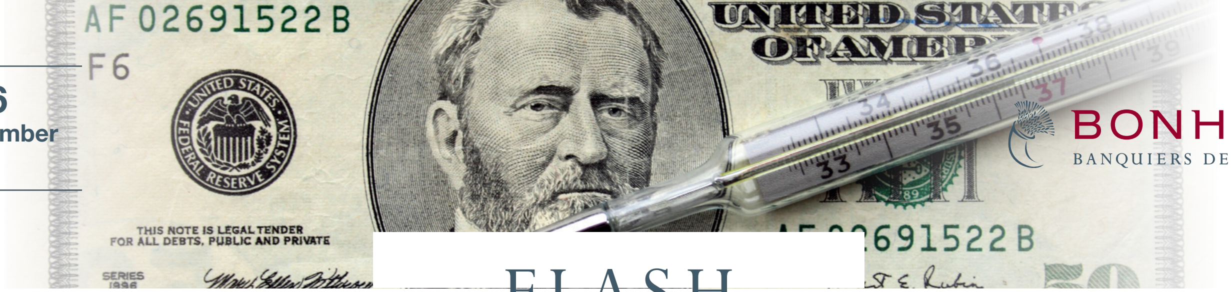

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SPOTLIGHT ON STOCKS

Flughafen Zurich
(ISIN: CH0319416936, price: CHF 194.80)

Zurich Airport reported traffic data for August and the news was good. The number of passengers exceeded the 3 million mark for the second time in history. Both local and connecting passengers increased – by 4.9% and 6.6% respectively. The number of flights also increased by 3.2%. The only decline observed was freight, with a 3% decrease in volumes.

Today, the company derives more than 38% of its revenue from non-aircraft activities (car parks, commercial leases and services), and this segment will continue to grow with the completion of Switzerland's largest real estate project, The Circle, a huge business and retail space that is under construction next to the airport. It is due to be inaugurated in the next 18 months.

The group has a solid balance sheet, boasting low debt and offering substantial leeway for possible acquisitions.

The fall in the price below CHF 200 offers an interesting buying-in point. The share is on our recommended list..

Apple
(ISIN: US0378331005, price: USD 217.88)

Last week, the company showcased the most expensive iPhones ever designed. For the new iPhone XS, available from 21 September, buyers will have to pay EUR 1,159 for the 64GB version and EUR 1,559 for the 512GB version. The XS Max (6.5" screen) will be available starting from EUR 1,259.

Apple has dominated the upscale segment in the smartphone universe for several years. According to market researcher IHS, Apple in 2017 accounted for 85% of sales of smartphones retailing for more than USD 750, far ahead of Samsung. In a shrinking smartphone market, Apple is wagering that consumers are willing to pay up for a device that has become vital to them.

The company also presented the Apple Watch Series 4, which sports a 30% larger screen than the previous iteration. Its main innovation is that it can function as an electrocardiogram machine thanks to new onboard sensors. This allows the user to monitor their heart rate and transmit this data to their doctor. The product has been approved by the Federal Drug Administration (FDA), ushering in Apple's first foray into the professional healthcare market.

Looking at current multiples, we advise pocketing some of the gains. The share price has more than doubled in the past six years. Once net cash is deducted, investors are paying 35% more than in 2012 for the share relative to the group's earnings, whereas operating margins have tended to narrow. Apple is trading on multiples more akin to a luxury goods firm, at a premium not far from 300% relative to Samsung.

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