N° 477
24 September 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH
BOURSIER

COMPLACENCY REIGNS

Highlights :

Solid economic statistics in the US

10% duty on Chinese goods enter in force

Overview

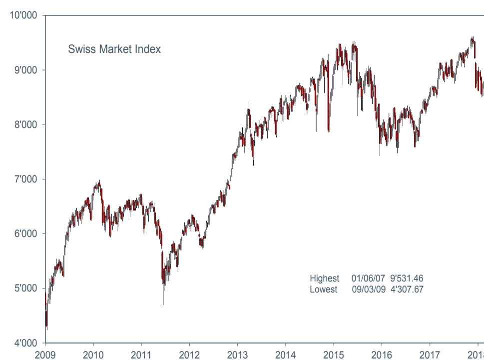
Stock markets last week shrugged off signs of escalating trade tensions to stage broad-based gains. Sentiment has improved in emerging markets, regarding which the trade war seems priced in. Only if the news were to worsen would emerging markets take another hit.

In the US, the Dow Jones and S&P 500 indices formed new all-time highs, driven by industrial and financial stocks as well as an improving macro picture based on recent economic statistics. For example, weekly new jobless claims most recently came in at 201,000, the lowest level since 1969. Regional Fed surveys on business prospects in the New York and Philadelphia areas are situated in expansion territory while the latest Leading Economic Index (LEI) rose by 0.4%, which is perfectly compatible with national GDP growth of around 3%.

Today, the 10% duty on USD 200bn of imported Chinese goods enters into force in the US. The potential impact of these far-reaching customs duties for China's economic growth is considerable. In fact, the hit to GDP is estimated at -0.5%. China will respond imminently with an extra levy on USD 60bn of US imports but will soon run out of ammunition, given its huge trade surplus with the US. China has postponed the upcoming round of negotiations until after the mid-term elections, probably in the hope that Donald Trump will emerged weakened by the loss of the Republican majority in one of the two houses. Don't expect the trade tiff to be resolved any time soon.

In Switzerland, the SNB unsurprisingly said again last Thursday that the Swiss franc is too strong (EUR/CHF 1.126) and revised its inflation forecasts downwards. For the time being, the Swiss economy remains robust. A rate increase is not expected until early 2020.

The major event this week is Wednesday's Fed meeting. It is due to announce a largely anticipated 25bp increase in the key Fed Funds rate to 2.00-2.25%. Jerome Powell's speech at the ensuing press conference will be the focus. Investors will be responsive to any revision to GDP forecasts and potential changes in Fed funds' terminal rates.



The SMI chalked up a few points. If the recovery continues, the first resistance will be 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	0.96	1.13	8'995.38	3'430.81	12'430.88	5'494.17	7'490.23	2'929.67	7'986.96	23'869.93	1'051.43
Trend	➡	➡	➡	⬆	⬆	⬆	⬆	⬆	➡	⬆	⬆
%YTD	-1.60%	-3.77%	-4.12%	-2.09%	-3.77%	3.42%	-2.57%	9.58%	15.70%	4.85%	-9.24%

(values from the Friday preceding publication)

N° 477
24 September 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

SPOTLIGHT ON STOCKS

ADECCO (ISIN: CH0012138605, price: CHF 52.86)

The group has presented a trading update on its third quarter. Despite it announcing in the first six months of the year that the second half would be better, the initial data does not tell that story. Growth slowed from 4% to 2% in August, and September is not shaping up much better. This was all it took to disappoint the market.

Adecco is having to adapt its business, focusing on "digitalising" operations and developing a business model that capitalises on major trends in the staffing sector. This includes designing training courses to adapt existing skillsets to market demand and sharing skills among several employers using time-sharing arrangements.

The group is also developing a platform to connect self-employed workers in France with large corporates looking for specific skills. Adecco provides a range of services to freelancers on its new platform, ranging from accounting and legal services to secure payments and insurance underwriting.

Despite a minor slowdown in the near term, we are keeping the stock on our recommended list. At 9.5x 2019 estimated earnings, Adecco is attractively valued. The dividend yield of 4.9% is also a supportive factor, and the initiatives undertaken by the group to improve margins and boost growth fully convince us.

Aston Martin

Sports car manufacturer Aston Martin, driven by James Bond among others, hopes to attain a market value of between £4 billion and £5 billion when it goes public in London in early October. Founded 105 years ago, it stands out as a luxury player in an automotive market that is currently depressed by the prospect of customs duties. The objective is to raise capital to finance future investments.

The offered price range is between £17.5 and £22.5 per share (CHF 22-28), which values the entire group at between £4 billion and £5 billion (CHF 5-6.3 billion). The IPO price will be known on 3 October. The group intends to float 25% of its capital via a divestment by the main owners: the Italian private equity firm Investindustrial (38% holding) and a group of Kuwaiti investors Adeem Investments, Asmar and Primewagon (57%). Daimler, which holds 4.9% of the capital, will keep all its shares.

Aston Martin has experienced a recovery in its business, returning to profit after a history of bankruptcies. Some 5,000 vehicles were sold in 2017, an increase of 58% compared to 2016. Its ambitious development plan includes a new generation of Vantage and DBS models and a range of SUVs.

Our investment view is that Aston Martin wants to play in the same league as Ferrari in terms of valuation multiples. But the brand is not as strong, with lower margins and slacker demand for its models. Still, the luxury side will undoubtedly attract many investors.

Auteurs :

Jean-Paul Jeckelmann, CIO, CFA

René Morgenthaler, MBA

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
T. +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

This document is provided for your information only. It has been compiledfrom information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness.By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance.Any past performance that may be reflected in this documentis not a reliable indicator of future results.Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document.The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments.The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA).It is not authorised or supervised by any foreign regulator.Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law.It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations.We strongly advise you to seek independentlegal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.