N° 484
12 November 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH
BOURSIER

MIDTERM ELECTION RESULTS APPROVED BY INVESTORS

Highlights:

The Fed maintains a gradual tightening bias

Slowdown of the manufacturing output in China

Overview

A divided Congress is seen as relatively positive news. Both sides believe they have emerged victorious. Having won the majority in the House of Representatives, the Democrats have increased their political firepower – which could curb Donald Trump's unpredictability. As the Republicans have gained seats in the Senate, their position is also strengthened. Both parties support higher government spending, even though they are split on how to finance it. On 7 December, discussions on the issue of the debt ceiling, which if not resolved would threaten a federal government shutdown, might cause a commotion. But this is a recurrent event: investors are used to it.

Last Thursday, the US Federal Reserve made no mention of a possible slowdown in US economic growth next year, at the culmination of the Federal Open Markets Committee (FOMC) meeting. Neither did it seem particularly worried about increased volatility in equity markets in recent weeks. That is reassuring news for investors. In the economy, business investment is slowing but consumer spending remains brisk, and the unemployment rate is falling. As anticipated by the consensus, the FOMC opted to leave the key interest rates unchanged. The Fed maintains a gradual tightening bias. Forecasts still project a quarter-point increase in interest rates in December and three more in 2019.

Towards the end of the week the downswing in oil prices, weaker Chinese data and an Italian government still at odds with Brussels over its planned budget deficit once again sent a shockwave of concern through the market, triggering some profit-taking. Producer price inflation in China decreased further in October, reflecting a slowdown in both demand and manufacturing output. The Chinese government has announced that it wants to stimulate bank lending to privately owned companies, hinting to investors that it is worried.

SMI last week remained stuck at the lower end of its ascending channel. Resistance is still between 9350 and 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	1.01	1.14	9'074.03	3'229.49	11'529.16	5'106.75	7'105.34	2'781.01	7'406.90	22'250.25	976.17
Trend	➡	➡	⬆	➡	➡	➡	➡	⬆	➡	➡	➡
%YTD	3.21%	-2.63%	-3.28%	-7.83%	-10.75%	-3.87%	-7.58%	4.02%	7.29%	-2.26%	-15.73%

(Daten vom Freitag vor der Publikation)

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SPOTLIGHT ON STOCKS

RICHEMONT

Compagnie Financière Richemont SA (ISIN: CH0210483332, price: CHF 69.10)

Results reported by Geneva-based Richemont for the first nine months of the year fell short of expectations. Uncertainties over the geopolitical context and the trade war weighed on net profit, which declined when excluding one-off gains.

Fears of a possible slowdown in Asian tourist shopping due to yuan weakness (down 7% year to date) loom large. However, the jewellery division delivered some good news in the shape of healthy margin growth, thanks to leverage over fixed costs. This division, called "Jewellery Maisons", accounted 51% of sales and almost 80% of EBIT in the period under review.

The group remains confident about achieving its long-term targets. The share's correction on Friday seemed overwrought. Unfortunately, Richemont remains exposed to short-term mood swings in the market.

SIEMENS

Siemens (ISIN: DE0007236101, price: EUR 102.34)

Siemens, the German industrial conglomerate whose products range from trains and industrial turbines to wind turbines and software, reported a static net profit of EUR 6.1bn for its 2017-18 split financial year. The group achieved its full-year guidance despite a mixed performance from its business units. Sales rose by 2% to EUR 83bn.

The Power and Gas business remained in the red, chalking up a loss of EUR 139m in the final quarter despite an upturn in orders. Siemens hopes to win a multi-billion euro contract to re-electrify Iraq (it is in competition with GE). The factory digitisation division put in the strongest performance in terms of contribution to overall operational results.

While GE or ABB are cautious about the future, Siemens is more upbeat. The German group anticipates continued solid conditions for its business activities in 2019 and expects sales growth of between 3% and 5%. Siemens has recommended an increase in its dividend to EUR 3.80.

The group also plans to launch a new share buyback scheme worth EUR 3bn, running until 2021.

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