



# FLASH BOURSIER

## NO SAFE HAVENS FOR INVESTORS

### Highlights:

### Slide in oil prices

### Tensions between Brussels and Italy

### Overview

Conditions worsened even more last week, crowning a year that will already go down in the annals as one of the toughest for financial markets in half a century. Almost every asset class has lost out in 2018, leaving investors with nowhere to take cover.

Equities swung down while oil tanked to a 12-month low, especially towards the end of the week when news broke that Saudi Arabia would increase output to a record 10.7 million barrels per day. Credit markets, in recent times relatively unmoved by events, started fraying round the edges.

US markets were closed on Thursday for Thanksgiving and opened for only half a day on Friday, which also marked 'Black Friday' – a key event in the retail-shopping and consumer-spending calendar in the US. Every year forecasts for the festive season are gauged to spending on Black Friday. Investor confidence can be knocked if figures dash expectations, or vice versa.

Also last week, Donald Trump and his Chinese counterpart Xi Jinping stated that they were both ready for an eagerly awaited G20 summit in Argentina this week, although investors remain sceptical about progress.

In Europe, negotiating teams from the EU and the UK wrapped up a Brexit agreement in the form of a political declaration. This was then approved by European leaders yesterday at an extraordinary summit in Brussels. Investors are also monitoring the tense relations between the European Commission and Italy, where a populist coalition again said last Thursday that it would stick to its budget plans for 2019 despite its latest draft being thrown out by Brussels. Italy's government does not seem intent on avoiding confrontation, possibly encouraged by the fact that Italian bond yields have stayed largely manageable.



Despite last week's downturn, the index continues to trade at the lower end of its ascending channel. Nearest resistance is 9100 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>	1.00	1.13	8'845.90	3'137.21	11'192.69	4'946.95	6'952.86	2'632.56	6'938.98	21'812.00	969.17
<b>Trend</b>	➔	➔	➔	⬇	⬇	⬇	⬇	⬇	⬇	➔	➔
<b>%YTD</b>	2.37%	-3.35%	-5.71%	-10.47%	-13.35%	-6.88%	-9.56%	-1.54%	0.52%	-4.19%	-16.34%

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## SPOTLIGHT ON STOCKS



**ABB**  
(ISIN: CH0012221716, price: 19.88)

The upswing in market volatility has hit every sector almost indiscriminately, effectively trashing the share prices of companies which, because of their fundamentals, deserve better. Zurich-based ABB has been no exception. The cyclical nature of its business lines is not taken into consideration despite a high degree of diversification.

The revenue and profit contributions of its four divisions are almost equal. ABB also has a diversified regional footprint, including solid exposure to emerging markets.

The share is attractively valued as it is trading on 13 times estimated 2019 earnings, its lowest multiple in five years, two standard deviations away from the mean. The dividend is also worth a look. It is expected at CHF 0.80 in 2019, representing a dividend yield of almost 4%.

**The share is a core investment in our managed portfolios.**



**Renault**  
(ISIN: FR0000131906, price: EUR 61.80)

Renault and Nissan formed their alliance in 1999. Most recently the alliance was enlarged to encompass Mitsubishi Motors. In 2017, these carmakers overtook Toyota and Volkswagen, selling more than 10.6 million vehicles. They were obviously helped along by the scandals surrounding Volkswagen as well Renault's successful foray into the entry-level market (with the Dacia) and Nissan's solid sales of SUVs (Qashqai) and electric vehicles (with the battery-powered Leaf).

The arrest of chief executive Carlos Ghosn, accused in Japan of under-reporting income and misusing company property, ushers in the prospect of Nissan regaining its independence or, more likely, obtaining a revised balance of power leaning in its favour. Nissan owns just 15% of Renault whereas Renault has a 43.4% stake in Nissan.

Nissan's revenues, exceeding EUR 100bn, are twice those of Renault. The two groups are closely knit, sharing platforms and engines, for example – which has led to sizeable synergies and cost savings in the past. Backtracking now would cause production costs to surge.

Renault seems to be valued for scrap, trading at 4 times net profit and 3 times cash flow based on 2019 estimates. But the market's reaction reflects concerns gripping the entire car industry, namely the dwindling popularity of diesel engines, customs duties and the massive investments needed to develop electric and self-driving cars.

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