N° 488
10 December 2018

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

VOLATILITY STILL RIDING HIGH

Highlights:

Trade conflict still smouldering

Slowing US job creation

Overview

Relations have been steadily spoiling between China and the US. The first meeting between Xi Jinping and Donald Trump took placed in April 2017 at Mar-a-Lago, Trump's Florida resort. Everything was sweetness and light at the time. China's news agency even spoke of a triumph, while the US president said the meeting had been positive and constructive. He then went on to qualify the relationship between the two countries as exceptional. This certainly marked an improvement relative to his comments during the electoral campaign in 2016.

Fast forward to now and the policy of strong-arming China is becoming increasingly prevalent within the Trump administration, which has been quick to 'walk the talk' by implementing threatened tariffs on Chinese imports. That has sent Chinese equity markets tumbling, with a small but immediate knock-on effect on markets worldwide. Investors breathed a sigh of relief at the start of last week after the meeting between the two leaders in Buenos Aires (around the G20 summit) produced plans to try and solve their trade clash. But many doubt this deal will come to fruition. What happens from now on is what will matter.

Job creation slowed last month in the US, clocking in at 155,000 versus the forecast 200,000. Likewise, wage growth fell short of expectations. The monthly employment report – one of the most keenly followed indicators in the market – was released just as financial markets were experiencing fresh turmoil. Additionally the yield curve has inverted partially, dangling the prospect of recession before investors' eyes. Meanwhile the rate of unemployment for November was steady at 3.7%, remaining close to the near 50-year low.

With conditions murky both now and for the foreseeable future, volatility is unlikely to abate in the coming weeks. The threat of a trade war, movement on the US yield curve and Brexit will continue guiding financial markets.

The SMI is back at the lower end of its channel after trying to break through resistance at 9100 points. Nearest support is located at 8500 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	0.99	1.13	8'741.03	3'058.53	10'788.09	4'813.13	6'778.11	2'633.08	6'969.25	21'678.68	981.37
Trend	→	→	↓	↓	↓	↓	↓	↓	↓	↓	→
%YTD	1.82%	-3.59%	-6.83%	-12.71%	-16.49%	-9.40%	-11.83%	-1.52%	0.95%	-4.77%	-15.29%

(Daten vom Freitag vor der Publikation)

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SPOTLIGHT ON STOCKS

CREDIT SUISSE

Credit Suisse Group AG
(ISIN: CH0012138530, price: CHF 11.10)

Credit Suisse, the second-largest Swiss bank, has not been inoculated against the volatility reigning across financial markets. Additionally, European banks are feeling the heat. Moribund business trends in Europe are putting paid to the prospect of a rate rise any time soon, which would be salutary for banks in general at the moment.

Tidjane Thiam, CEO, has wrapped up his massive restructuring drive but investors are now waiting for actions that will lift growth. Asia could be pivotal for Credit Suisse, which is targeting the region and its billionaires, the number of which now outweighs the US.

Credit Suisse is trading on 0.7x book value, below the five-year average (0.8x). Credit Suisse may not be a hit with investors but it certainly is with clients, who have transferred more than CHF 30bn to the bank annually since 2016. We will be keenly watching the investor day this Wednesday in London, where a buyback amounting to several billion francs and a dividend increase are expected to be announced.

The share is a core investment in our managed portfolios.

BROADCOM®

Broadcom
(ISIN: US11135F1012, price: USD 228.56)

Broadcom, a maker of semiconductors, has reported higher-than-expected results and guidance.

In its final quarter ending 4 November, the group generated a net profit of $1.1bn on sales revenue that surged by 12% to $5.4bn, driven by demand for its storage and enterprise network solutions.

In this new financial year, the group is targeting sales of $24.5bn, exceeding analysts' expectations. For the following year, the group expects another year of double-digit sales growth. Broadcom also sees record operating margin, as a result of improved operating leverage.

The quarterly dividend has been raised by over 50% to USD 2.65. The group reminded investors of its aim to pay out half of free cash-flow via dividends, using the rest for buybacks or acquisitions. Last year the group bought the software maker CA Technologies for $19bn after failing take control of Qualcomm.

Authors:

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
contact@bonhote.ch
www.bonhote.ch

facebook.com/
banquebonhote

linkedin.com/company/
banque-bonh-te-&-cie-sa

twitter.com/
alexnvincent