N° 500
18 March
2019

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

MARKETS IN RISK-ON MODE

Highlights:

Supportive context for risk assets

Only way is up for sterling

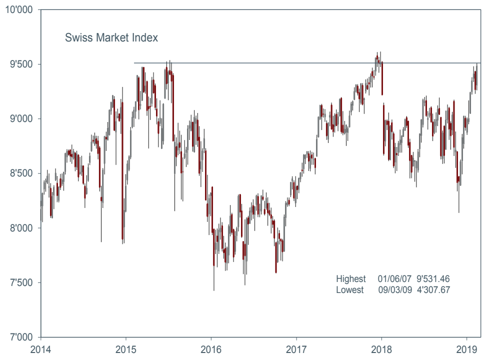
Overview

Markets last week were calm and collected, with share prices appreciating despite the unending Brexit saga, economic data pointing to a slowdown in China's growth trend and the postponement of the potential trade deal between China and the US. Improved economic fundamentals are not what has been driving the rally year to date anyway, but rather soft inflation and the extremely low interest rates, both of which are supportive to risk assets.

It now looks likely that Brexit will be postponed for at least three months, and this has reassured investors. Having failed twice to have her withdrawal agreement approved by Parliament, the latter supported Theresa May's motion to request a postponement by 412 votes to 202. This still needs to be unanimously approved by the 27 remaining Members of the European Union at the Council meetings on 21 and 22 March. Based on comments by several European officials, not least EU President Donald Tusk, this deferment should be approved without any fuss. The widespread mood of relief is reflected in the pound which, despite a deterioration in economic fundamentals, continues to stage a recovery. It has appreciated by nearly 7% since mid-December.

The US and China are similarly playing for time in their trade talks. Negotiations between the Chinese Vice Premier and the US Trade Representative are progressing well. However, the expected meeting between Trump and Xi Jinping is not expected to take place for several weeks. At the economic level, Chinese statistics continue to be mixed. According to latest stats, industrial production growth slowed to 5.3% year-on-year and the unemployment rate is rising. But the government, which has set itself a GDP growth target of between 6% and 6.5% this year, is taking action. A reduction in the VAT rate will come into effect on 1 April. Increased infrastructure spending and significant tax cuts are also in the pipeline. Loans to small and medium-sized enterprises are being encouraged, and authorities have pledged to create 13 million jobs.

The main event this week is the Fed meeting. We expect the central bank to continue playing its waiting game. The consensus does not expect a rate hike this year.



The index is back in the starting blocks to take on the 9550 resistance that has been intact for four years.

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	1.00	1.13	9'483.10	3'386.08	11'685.69	5'405.32	7'228.28	2'822.48	7'688.53	21'450.85	1'057.30
Trend	→	→	↑	↑	↑	↑	→	↑	↑	→	→
%YTD	2.04%	0.83%	12.50%	12.82%	10.67%	14.26%	7.43%	12.59%	15.87%	7.18%	9.48%

(Daten vom Freitag vor der Publikation)

N° 500
18 March 2019

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

SPOTLIGHT ON STOCKS

DUFRY

TUI
Aktiengesellschaft

Dufry
(ISIN: CH0023405456, price: CHF 104.50)

The group's 2018 financial results were broadly in line with expectations – apart from net profit. In fact, exceptional items more or less cancelled each other year upon year. In 2017, provisions were released for an amount of nearly CHF 50m while, in 2018, Dufry announced a charge of a similar amount relating to new and discontinued business.

Margins were steady, and even increased in some places, despite the difficult trading environment – especially in Latin America, where the decline in Brazilian and Argentinian currencies hurt revenue. In contrast, Asia and Australia posted sustained growth.

The group is confident for the future. It has made a strong start to 2018, with revenue rising by 3% in the first two months of the year. Organic growth is expected at 3-4% in the medium term. The group is recommending an increase in the dividend to CHF 4.00 per share (+3.8%).

TUI Group
(ISIN: DE000TUAG000, price: EUR 9.60)

TUI, the world's largest tour operators, is helped by its integrated business model, from its fleet of aircraft and travel agencies to its own cruise ships and hotels. Expansion outside Europe in the two major markets of China and Brazil is not requiring huge investments as the group is focusing on web sales and business partnerships on the ground.

The group's marketing will be refocused around a single "TUI blue" brand. Business development will integrate the change in consumption styles from the purchase of package holidays to the tailor-made holidays that people are tending to choose nowadays. The centrepiece of this new strategy is hospitality. This is a core consideration for holiday makers. And if the group can get this right, it will encourage customers to keep coming back.

With a dividend yield of 7.5% and a bargain valuation of 8x 2019 earnings, the share is on our Recommended List.

Authors:

Jean-Paul Jeckelmann,
CIO, CFA

Julien Stähli,
MBF Boston University

Françoise Mensi,
Ph.D in Economics.

Pierre-François Donzé,
M. Sc. in Economics

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