

FLASH BOURSIER

SIGNS OF ECONOMIC RECOVERY IN CHINA

Highlights:

Good times for risk assets

Stabilisation in Eurozone industrial pro- duction

Overview

Last week was again positive for risk assets, helped along by accommodative messages from central banks. Hopes were also kindled for better economic conditions in China as it became clear that measures to galvanise spending are starting to pay off. For 2019, Chinese Premier Li Keqiang expects growth between 6% and 6.5%.

The recent noticeable improvement in economic statistics spurred an upswing in long-term bond yields despite the IMF's 0.2-point reduction in its current-year growth projection for the global economy. The 10-year Bund retraced back towards zero while the return on US Treasuries reverted to 2.50%. That was good news for banks.

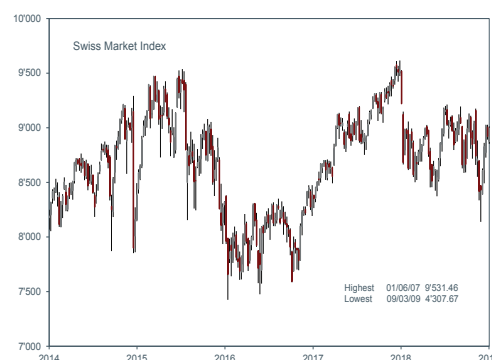
The solid figures reported on Friday by JP Morgan, the leading US bank by assets, injected some enthusiasm into equity markets. A swathe of US firms will be reporting results this week. Today is the turn of Goldman Sachs and Citi Group, followed by Bank of America tomorrow. On the tech side, IBM and Netflix will be reporting this week. Factoring in the broad-based slower rate of growth around the globe, analysts lost no time in cutting earnings forecasts – which has reduced the risk of upsets. For the first quarter of 2019, a 3.9% drop in earnings is expected for S&P 500 constituents on the whole.

Chinese exports – which plunged in February – stormed back in March, rising by 14.2% year

on year. This was seen as reassuring news, although imports contracted by 7.6% in the same month. Talks between the US and China seem to be on the right track. US Treasury Secretary Steven Mnuchin said that the negotiations had now reached the final stages. But the rise in the bilateral trade deficit to USD 62.5bn in the first quarter shows that much still needs to be done to restore a semblance of balance between the two trading partners.

In the Eurozone, industrial production seems to be stabilising, as illustrated by a small 0.2% decline. As expected, the ECB confirmed that the key benchmark rate would stay at -0.4% until at least the end of the year.

This week the focus in the markets will be Chinese GDP for the first quarter, out on Wednesday. The consensus expects year-on-year growth of 6.3%. Investors will also closely watch the growth trends for industrial production and retail sales in March.



If the SMI can stay above 9500 points, we see scope for appreciation to 9650. If 9450 is punched in, however, the index could resettle at 9250 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	1.00	1.13	9'484.91	3'447.83	11'999.93	5'502.70	7'437.06	2'907.41	7'984.16	21'870.56	1'089.09
Trend	➡	➡	➡	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆
%YTD	2.07%	0.64%	12.52%	14.87%	13.65%	16.32%	10.54%	15.98%	20.33%	9.27%	12.77%

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SPOTLIGHT ON STOCKS



Credit Suisse Group AG (ISIN: CH0012138530 / price: CHF 12.91)

Bank stocks were bid up on Friday after the earnings releases of two US majors, JP Morgan and Wells Fargo. The supportive business context in the first quarter gave investors cause for cheer, especially after the disastrous fourth quarter in 2018. The overall price of European banks broke past its 200-day moving average, which is generally taken as a bullish signal.

Credit Suisse is pulling away from its late-December low and its own moving average. A positive correlation exists between banks' share prices and the steepness of the yield curve (which has never been lower for Switzerland). Some steepening would help Credit Suisse and the banking sector in general as banks tend to borrow short term and lend long term.

Credit Suisse is a core investment in our discretionary mandates.



LVMH (ISIN: FR0000121014 / Price: EUR 342.90)

LVMH is the world's leading luxury-goods group, generating over EUR 10bn in revenue last year. Once again, it has reported breathtaking figures as revenue smashed estimates in the first quarter.

The business environment remains supportive for luxury goods, especially in Asia, despite the uncertain political developments around the world.

In the first quarter, revenue growth increased by 11% on a like-for-like basis to EUR 12.54bn. The top line increased in all divisions, but the fastest growth was reported by the fashion and leather goods segment. Watches and jewellery lagged slightly behind, with revenue rising by 4%.

Sales revenue at the Louis Vuitton brand increased by 15% to EUR 5.11bn. The product mix was highly profitable, with 75% of the segment's sales represented by leather goods. LV offers a wide range of prices, averaging EUR 2,000. More than half of luxury-goods buyers in China are aged below 40 and pay close attention to innovation, more or less regardless of the price charged.

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