

FLASH BOURSIER

JULY IS HERE

Highlights:

Truce called in trade war

Cutbacks in oil output

Overview

The weekend turned out to be quite positive as the G20 Summit wrapped up with an optimistic message concerning the trade tiff between the US and China. For investors the main attraction was indeed the planned meeting between Donald Trump and his Chinese counterpart Xi Jinping. Matters are still delicately poised but, on the whole, the outcome of the talks – with trade negotiations set to resume between the two countries – was slightly better than investors had been expecting. As a consequence, equity markets opened in the green this morning while defensive assets such as gold gave up ground.

For now, the next raft of levies planned for Chinese imports will not be instigated. In Trump's eyes, the Chinese are going to buy a massive amount of farm products, amongst other things. Additionally, US equipment firms will once again be allowed to sell goods to Huawei, China's mobile communications behemoth, as long as business is not connected with national security. That is good news for the semiconductors sector. But clearly, for the tariffs to be dismantled and dismantled for good, China will have to make some trade-offs, especially as concerns forced transfers of intellectual property and the subsidies paid to companies.

Based on latest figures, Chinese manufacturing output has contracted, as indicated by a PMI ebbing to 49.4 versus 50.2 in the previous month. New orders were especially disappointing based

on an indicator down at 46.3 – the lowest reading since February.

Saudi Arabia and Russia have both agreed to lower production quotas ahead of the official OPEC summit beginning today. OPEC views output cuts out to 2020 as necessary in order to support the price of crude oil in the face of sagging global demand and the boom in shale oil produced by the US.

This Friday, non-farm payrolls will be released by the US government and will attract a great deal of attention, considering their status as a key Fey bellwether. New hires of 155,000 are expected while the unemployment rate is forecast at 3.6%, which would be its lowest reading since 1969. The numbers for May disappointed, stoking expectations for a Fed rate cut in the second half of the year. The odds priced in by the market for monetary easing, as reflected in historically low bond yields, are probably excessive. The US economy is in its tenth year of expansion and shows no signs of quitting as consumer spending, lending and the business climate remain strong.



The SMI fell substantially after peaking at 10000 points but the uptrend remains intact.

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	0.98	1.11	9'898.24	3'473.69	12'398.80	5'538.97	7'425.63	2'941.76	8'006.24	21'275.92	1'054.86
Trend	↓	➡	➡	↑	↑	↑	➡	↑	↑	↑	↑
%YTD	-0.54%	-1.52%	17.43%	15.73%	17.42%	17.09%	10.37%	17.35%	20.66%	6.30%	9.22%



FLASH BOURSIER

SPOTLIGHT ON STOCKS



NIKE (ISIN: US6541061031, price: USD 83.95)

Nike has reported results for its fourth fiscal quarter ending in May. Net profit totalled USD 989m (62 cents/share), which was 6% below the consensus. But revenues edged past the forecast, rising by 4% to a record-breaking USD 10.2bn on the back of strong sportswear and 'Jordan Brand' sales.

The effective tax rate rose by 6.4 points to 20.4%, while extensive marketing spend dampened profit. A large part of the higher operating expenditure was due to 'crucial' investments to adapt to the digital age (to make 'online' the main growth driver) and pay for innovation (Air Max and VaporMax sports shoes) and distribution channels.

Looking at the different regions, the solid gains seen in North America and China (where a deceleration had been feared) were a positive

surprise. US sales rose by 7% to USD 4.17bn, helped by new products on the market. Sales in China were up 15.5% at USD 1.70bn.

The ripple effect of customs duties could have worried investors. In fact, only 26% of the group's footwear is actually made in China and the proportion for sportswear is practically the same. And only 10% is exported to the US. Hence exposure to tariffs is low.

Nike has many avenues for growth, especially the current extensions of its ranges of sportswear and sport/leisure footwear for women (yoga collection and special design). Business at Nike will also receive a boost from major sporting events such as the FIFA Women's World Cup up this year and the Tokyo Olympic Games in 2020.

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/
alexvincent

This document is provided for your information only. It has been compiled from information collected from sources believed to be reliable and up to date, with no warranty as to its accuracy or completeness. By their very nature, markets and financial products are subject to the risk of substantial losses which may be incompatible with your risk tolerance. Any past performance that may be reflected in this document is not a reliable indicator of future results. Nothing contained in this document should be construed as professional or investment advice. This document is not an offer to you to sell or a solicitation of an offer to buy any securities or any other financial product of any nature, and the Bank assumes no liability whatsoever in respect of this document. The Bank reserves the right, where necessary, to depart from the opinions expressed in this document, particularly in connection with the management of its clients' mandates and the management of certain collective investments. The Bank is a Swiss bank subject to regulation and supervision by the Swiss Financial Market Supervisory Authority (FINMA). It is not authorised or supervised by any foreign regulator. Consequently, the publication of this document outside Switzerland, and the sale of certain products to investors resident or domiciled outside Switzerland may be subject to restrictions or prohibitions under foreign law. It is your responsibility to seek information regarding your status in this respect and to comply with all applicable laws and regulations. We strongly advise you to seek independent legal and financial advice from qualified professional advisers before taking any decision based on the contents of this publication.