N° 538
9 December
2019

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

15 DECEMBER = POSSIBLE DAY OF RECKONING

Highlights:

Threat of US tax on French imports

US job creation shoots up

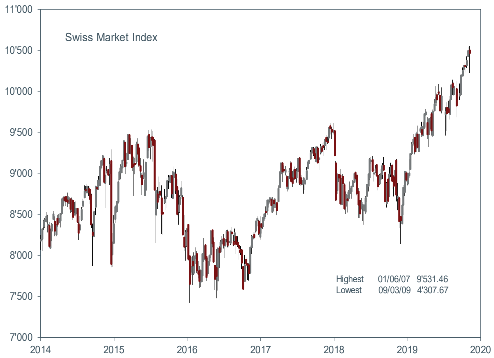
Overview

Volatility spiked intermittently in financial markets last week, in response – as usual – to news surrounding the trade war. The rally seen in recent months, in which small and midcap stocks have outperformed, has been driven by hopes of a deal between China and the US, which is clearly taking time to materialise. As usual, Donald Trump has blown hot and cold with his mixed messages, first stating that a deal could wait until after the elections and then saying that it was just around the corner.

The key date is 15 December. If nothing is signed between the US and China by then, the US may go ahead and apply the 15% customs duties on USD 160bn of Chinese imports that it plans. If that happens, China could counter by slapping duties on some USD 50m of products that remain taxable. Following that, if the duties are not deferred (which we expect will happen), the trade war will move on to another front, for example quotas. Donald Trump, with his morning tweets, has moved his pieces into place in another battle, probably as a smokescreen. His first announcement has been to once again tax steel and aluminium imports from Argentina and Brazil, which he sees as weakening their national currencies, thereby allowing an unfair advantage. The other has been announcing plans to levy customs duties on French products, from luxury goods to cheese.

In the US, job creation shattered estimates in November, rising to 266,000 compared with a consensus forecast of 180,000. And there were also upward revisions for previous months. Wages advanced by 3.1% year on year. So for the time being, pressure on inflation is low, which is unlikely to alter the Fed's stance. Expect a policy hold announced in the wake of the FOMC meeting on Wednesday.

Other noteworthy stats include the 1.7% drop in German industrial production in October, a sign that the economy is not out of the woods yet. New car sales have fallen by 5% this year, which has also hit the chemicals industry. Figures out of Asia were solid last week. Japan's third-quarter GDP rose by 1.8% year on year versus estimated growth of just 0.6%. The Markit manufacturing PMI for China continued expanding in November, rising to 51.8. On the downside, exports contracted by 1.1% year on year.



The SMI plunged in the early part of the week but quickly recovered. Target is still 11000 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	1.10	10'463.88	3'692.34	13'166.58	5'871.91	7'239.66	3'145.91	8'656.53	23'354.40	1'048.96
Trend	➡	➡	➡	➡	➡	➡	➡	➡	⬆	➡	➡
%YTD	0.95%	-2.85%	24.14%	23.02%	24.70%	24.12%	7.60%	25.49%	30.46%	16.69%	8.61%

(Daten vom Freitag vor der Publikation)

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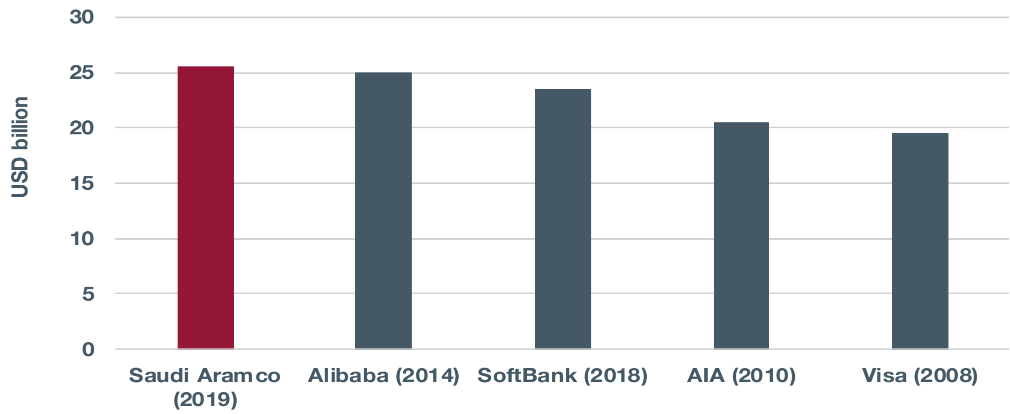
SPOTLIGHT ON STOCKS

Saudi Arabian Oil Company (ISIN: SA14TG012N13, price: SAR 32)

Five biggest IPOs in history



Last Thursday marked the first trading day of the world's largest company, Saudi Aramco. The aim is clear: list some of the equity belonging to this oil major and use the proceeds to pay for new lines of business to support the Saudi economy, where 70% of government income stems from the oil industry. Crown prince Mohammad bin Salman initially wanted to raise USD 100bn by listing 5% of the capital, hoping for a valuation of USD 2trn for the company. But there have since been several roadblocks: geopolitical events, drop in price of crude sparked by the uncertain outlook on global growth, investor hesitation with IPOs in general.

Altogether, 1.5% of the capital was floated at a price of SAR 32 (USD 8.50), implying a valuation of USD 1.7trn. But that is still enough to set the new record for the largest IPO in history, just ahead of Alibaba (USD 25bn in 2014). The issue is denominated in Saudi riyals as for now the listing will be local, on the Saudi stock exchange (Tadawul).

The share will be added to MSCI indices in December, making many investors automatically hold Saudi Aramco. But we think the share is too pricey. The oil industry is not exactly in great shape either ethically (as investors shift to green companies) or financially (as fears over global growth push down the price of crude).

In comparison, Saudi Aramco's dividend yield (4.4%) is below the average of the five industry heavyweights (5.5%).

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