N° 542
20 January 2020

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

EQUITY MARKETS SET NEW RECORDS

Highlights:

Interim trade deal

Risk-on conditions

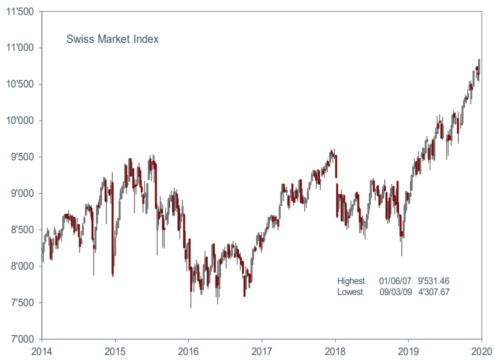
Overview

The signing of the phase-one trade deal between Beijing and Washington, though only a basic arrangement, served last week as the backdrop for the bull case in equity markets. For now, US customs duties will be maintained at USD 360bn worth of goods. A rosier outlook on the global economy plus some upbeat indications on corporate earnings chimed in to guide equity indices up to new all-time highs. Even European equity markets gained, despite the prospect of suffering from the Sino-American trade deal.

Over in the US, housing starts for December were robust, rising by 16.9% month on month, while retail sales edged forward by 0.3%. In Europe, new vehicle registrations shot up by 22% in December 2019. In China, macroeconomic conditions have levelled off, with GDP increasing by 6.1% in 2019. Industrial production was up 6.9%. Better manufacturing stats and business confidence led the price of Chinese stocks higher last week.

The numbers reported by US banking majors were encouraging for the economy, flying in the face of lower interest rates and the more subdued rate of economic growth seen recently. Consumer lending and investment banking drove growth higher. The record revenues and profits (USD 9bn in 2019) booked by Morgan Stanley are particularly worthy of mention. In the tech stable, Taiwan Semiconductor issued a positive business outlook on the adoption of 5G. The group will increase capital spending in 2020 – news which put wind in the sails of other sector stocks such as Nvidia, AMD and Qualcomm. Having shot up by over 10% this year alone, Alphabet (Google's parent) last week joined Apple and Microsoft in the elite trillionaires' club by market capitalisation. With the other two members of the FAANG club, they now account for one-fifth of the S&P 500's capitalisation.

Plentiful liquidity is still encouraging risk-taking, with central banks in no hurry to raise interest rates – especially as inflation shows no signs of quickening.



SMI continues its climb towards 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	0.97	1.07	10'841.82	3'808.26	13'526.13	6'100.72	7'674.56	3'329.62	9'388.94	24'041.26	1'146.83
Trend	→	→	↑	→	↑	↑	→	↑	↑	↑	↑
%YTD	0.13%	-1.09%	2.12%	1.69%	2.09%	2.05%	1.75%	3.06%	4.64%	1.63%	2.89%

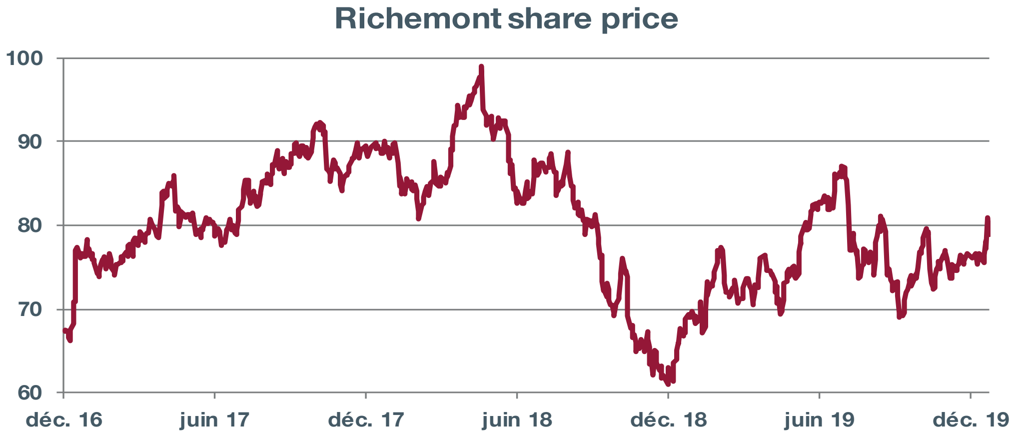
(Daten vom Freitag vor der Publikation)

N° 542
20 January 2020

FLASH
BOURSIER

STOCK FOCUS

Richemont (ISIN: CH00210483332, price: CHF 80.94)



The luxury goods group reported its latest quarterly numbers last Friday, sending the share surging by 5%, which had the effect of pulling up the rest of the sector. The top line beat market estimates by 1% but that was enough to stoke demand, because the absence of negative factors was unexpected good news. The group – which reports in euro – published a 4% increase in revenues adjusted for exchange rates.

We note solid results from jewellery (50% of revenues) despite the hit to Japanese business from the strong yen and the higher sales tax. Business in Hong Kong was again blighted by the demonstrations.

But the news was not all good. Online ready-wear sales did not deliver the expected growth, slowing to 2% after a double-digit rate in the first six months of the financial year. The group blamed part of the slowdown on storm damage to some supply centres in Italy. Another factor was the ever-fiercer price pressure facing the online retail sector.

Current efforts include a reduced number of partners in the distribution business. By stocking purchased goods, they create a stop-start effect. Whenever demand drops, they tend to slash orders so that they can sell off their unsold inventories first.

In 2019 the stock trailed the Swiss market by 6.5%.

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, MScF Université de Neuchâtel

Karine Patron,
MScF Université de Neuchâtel

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