

FLASH BOURSIER

MARKETS STEADYING?

Overview

Highlights:

Equities edge upwards

PMIs nosedive

The data are pointing to a massive hit to economies following the shuttering of many businesses. Corporate earnings estimates have been slashed and companies are not bothering with guidance anymore. Some 1.3 million cases of the novel coronavirus have been recorded worldwide, although the pandemic now seems to be slowing. The rate of new cases in seriously affected areas such as Italy and Spain is in the region of 8%. More upbeat noises have been coming from the White House recently.

Against this backdrop, stock markets opened to gains on Monday. Equities were relatively resilient last week, keeping drawdown to a minimum. The S&P shed 2% compared with 0.6% by the Eurostoxx 600, despite the plunge in banking stocks in response to the cuts in dividends. The Swiss market gained nearly 3% on the back of pharma stocks and Nestlé. The recovery in the price of crude (Brent +37% last week) – kicked off by Donald Trump tweeting about a 10 million-plus reduction in output measured in barrels per day expected from Saudi Arabia and Russia – boosted oil-related stocks, although the price of crude was down this morning after the OPEC meeting was postponed until Thursday.

There have been a handful of signs that the contagion in several countries is slowing, but these have been positively viewed by investors. Additionally, the Eurogroup is set to meet tomorrow to flesh out a centralised response to the crisis. Some talk of a package of measures

financed through Eurobonds, with no mention of the “Troika” nor “austerity”, according to two German ministers. The funding plan reportedly marks out EUR 200bn for healthcare and an equivalent sum for lending through the European Investment Bank. Altogether that would correspond to 4.5% of the Eurozone’s GDP.

PMIs for March, reported last week, reflect a plunge in business activity, especially in services. The Eurozone composite PMI clocked in at 29.7 versus 51.6 in February. In Germany the reading was 35, and a miserly 17.4 for the services index in Italy. In the US, 701,000 jobs were lost in March, marking the first decline since 2010 and not far from the job destruction seen in March 2009 (-800,000). Worse still, this figure does not cover the second half of the month, when nearly 10 million initial jobless claims were submitted.

How the real economy and business will be impacted by the shutdown is still undetermined. For this reason, many investors continue to favour cash, which is in turn generating large inflows into money market funds.



Last week the SMI found its bearings around 9200 points, but volumes were hardly encouraging. Even so, the index has scope to rise to 9750 points, which would help rekindle the uptrend.

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	1.06	9'242.44	2'662.99	9'525.77	4'154.58	5'415.50	2'488.65	7'373.08	17'820.19	831.72
Trend	↑	➡	↑	➡	➡	↓	➡	↓	↓	↓	↓
%YTD	1.11%	-2.71%	-12.95%	-28.89%	-28.10%	-30.50%	-28.20%	-22.97%	-17.83%	-24.67%	-25.38%

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FOCUS ON STOCKS

Zoom Video Communications – share price (USD)



Zoom Video Communications (US98980L1017, price: USD 128.20)

During the lockdown investors are looking for companies with positive exposure to events. This list includes companies offering online gaming or video streaming.

Business services are also gaining because of the unprecedented number of people working from home. And on today's information super-highway, we cannot afford to cut ourselves off. Meetings and seminars are what greases the corporate machine, especially in the services industry. Many of us probably use applications such as Skype or Webex.

Less well known in Switzerland but popular in the Anglosphere, Zoom is one application that has been regularly in the headlines. Unsurprisingly, investors wanting to capitalise on the success of this Californian company are diving into the share. Even as of 23 March, it had gained 130% since the start of the year!

However, instead of buying Zoom Video Communications, many unsuspecting investors acquired the similarly sounding Zoom Technologies, which is a small Chinese firm with a US listing and a market capitalisation of USD 31m. By contrast, Zoom Video Communications Inc. has a market cap of close to USD 40bn. Such was the confusion that the SEC at one point had to step in and suspend Zoom Technologies from trading.

This is reminiscent of a similar story from 2013. In September of that year investors bought heavily into Tweeter Home Entertainment Group (ticker: TWTRQ), thinking they were getting a slice of the upcoming IPO of Twitter (ticker: TWTR). In fact the investors had purchased securities in an electronics store chain that was going down the tubes!

Caveat emptor...

Authors:

Julien Stähli,
Head of discretionary
management,
MBF Boston University

Jean-Paul Jeckelmann,
CIO, CFA

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/
alexvincent

 instagram.com/
banquebonhote

 youtube.com/
banquebonhote1815

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