



FLASH BOURSIER

INFLATION OUTLOOK STILL ON THE WEAK SIDE

Highlights:

Firmer global economic growth

Chinese economy expands by 6.9%

Overview

Chair Yellen's eagerly awaited testimony before the House Financial Services Committee last week provided investors with some key indications. She noted that economic activity has been firming up, both domestically and globally, and that the labour market remains in fine fettle. But she was also aware that inflation expectations are skewed strangely to the downside, which will slow the rate of policy normalisation at the central bank. Yellen sees slower inflation as a temporary blip, pinning it on weakening prices in a few specific industries such as telecommunications and prescription medication. The end result was a slightly more dovish speech than expected, which obviously cheered the market to no end.

Other central banks are due to issue messages in the days ahead and these will also be closely followed by investors. The Bank of Japan is holding a key meeting on Thursday, for example, when boss-man Haruhiko Kuroda is expected to paint a rosier picture for Japan's economy. But Japan's inflation outlook is weakening along the same lines as for America.

The ECB is also meeting this week, a few weeks after Mario Draghi hinted that it could start tapering its monetary splurge in respon-

se to firmer economic activity and the better business climate. No major announcements are expected from the ECB.

Elsewhere, the Chinese economy grew by 6.9% in the second quarter, beating the full-year growth forecast of 6.5% set by the government in March. Fuelling domestic growth is the property market.

The banking sector is releasing relative strong results just as reporting season is kicking off in the US. But guidance has been disappointing as banks now forecast lower interest margin and trading fees, resulting from more restrictive monetary policies.



We are bullish on the SMI above 9000 points with a focus at 9100. But if 8900 points is breached, our target will become 8770 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	0.96	1.11	9'034.57	3'525.94	12'631.72	5'235.31	7'378.39	2'459.27	6'312.47	20'118.86	1'047.05
Trend	➔	➔	➔	➔	➔	➔	➔	⬆️	⬆️	➔	⬆️
%YTD	-5.56%	3.13%	9.91%	7.15%	10.02%	7.67%	3.30%	9.85%	17.26%	5.26%	21.43%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS



DKSH (ISIN: CH0126673539, price: CHF 75.55)

Nine-month earnings were broadly in line with expectations apart from organic growth, which at 2.8% was better than projected.

Although the group is facing some setbacks in Thailand, as a result of political tensions, and in Hong Kong, where the economy is struggling to pick up, the investment case is intact. South Asia is gaining from a rapidly growing middle class. This is giving the region more clout within the global economy. Additionally, regional firms tend to outsource operations that are not part of their core business. DKSH offers a whole range of services for developing a business, from marketing and research to logistics, distribution and selling.

The group capitalises on high barriers to entry into this particular business, e.g. its in-depth knowledge of local legislation, operations spanning the entire value chain and seamless IT system. Capital expenditure is on the low side, with most infrastructure – premises/warehouses/other buildings – leased.

The dip in the share price from CHF 86 to CHF 75.5 offers a place to position in. More cautious investors may want to wait for the next buying range to be reached, at CHF 68-72.



Alstom (ISIN: FR0010220475, price: EUR 31.73)

Alstom, now refocused on rolling stock and railway equipment, has released a solid set of figures for its first quarter.

These initial indications for the year show revenue rising by 6% to EUR 1.8bn.

The order book (EUR 34bn) contains almost five years of revenue.

Sales momentum was strong in the period, with key contracts signed in all operating regions.

Alstom reiterated targets for 2020, namely annual revenue growth of no less than 5% and operating margin of 7%.

The balance sheet is firm, offering scope for potential large acquisitions.

On the whole, the reported figures are encouraging: not causing a storm but offering a clear outlook on earnings prospects.

Target price is EUR 34.

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