

FLASH BOURSIER

CONFIDENCE ABOUNDS

Highlights:

European economy in rude health

Fed begins two-day meeting

Overview

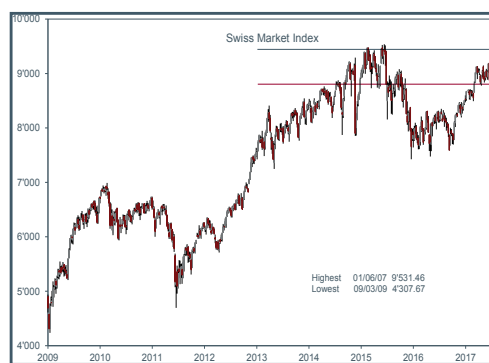
So far this month, trends have been positive and we see no reason for that to change. Still, the news flows will be dense this week, the last before German legislative elections on Sunday. It is generally expected that Angela Merkel, representing the centre-right (CDU/CSU), will be re-elected and Germany will continue much as it already has.

Market participants are instead looking to the US, where the Fed begins its two-day meeting today. No rate adjustments are expected this time round, and investors will be looking for even the slightest clue as to whether interest rates might be nudged up at the December meeting. We are expecting a statement from Chair Yellen about the unwinding of positions on the balance sheet, i.e. by not rolling over expiring treasury bonds. However, this move – which is tantamount to tightening – could be deferred as a result of the recent hurricanes and their cyclonic effects on the US economy. This week's meeting could consequently conclude with a policy hold all round, especially as the reshuffle of the FOMC scheduled for early 2018 does not create conditions supportive of change.

The US dollar, which ebbs and flows with expectations on short-term rates, is positioned

on a technical support. It has the wherewithal to pick up between now and the end of the year.

In Europe, economic numbers convey a solid bill of health for the economy, which is growing at its fastest rate in a decade. But Euro-land inflation remains slack at just 1.5%. The euro's strength is similarly thwarting the ECB's stimulus drive, leading to the ECB deferring tapering. The situation is certainly troublesome for Mario Draghi. As long as inflation remains low (and here, the euro is partly to blame) an accommodative stance is the only way to go. One noteworthy fact is that, for the first time in a decade, global economies are growing in sync, with a combined growth rate of 3.5% expected for the end of 2017. These clearer skies are likely to continue helping risk assets to flourish.



SMI still lacks a trend and is hovering between 8800 and 9250 points. Major resistance is at 9500 points and support is at 8800 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	1.15	9'028.05	3'515.55	12'518.81	5'213.91	7'215.47	2'500.23	6'448.47	19'909.50	1'102.16
Trend	➡	➡	➡	⬆	⬆	⬆	⬇	⬆	⬆	⬆	⬆
%YTD	-5.89%	6.99%	9.83%	6.84%	9.04%	7.23%	1.02%	11.68%	19.79%	4.16%	27.82%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

RICHEMONT



Richemont
(ISIN: CH0210483332, price: CHF 88.05)

The group has issued a five-month trading statement to end-August. Figures beat estimates, with sales rising by 12% at constant exchange rates whereas a 10% increase was expected.

Top-line growth was strongest in Asia. Part of the reason was that, in the first six months of 2016, the group had bought back a huge amount of inventory in Hong Kong in response to a sharp slowdown in demand. This was aimed at freeing up distribution circuits and encouraging the purchasing of new collections.

The balance sheet is cast iron, with net cash of CHF 5.5bn. Recent expansion of the directly-owned-store network (55% of sales) reduces the group's dependency on retailers.

The share is richly valued at 25x earnings. On technicals, it is nearing a key resistance at CHF 93-95, which will be hard to overcome in the short term.

Not worth buying at this stage.

Apple
(ISIN: US0378331005, price: USD 158.67)

To mark the tenth anniversary of the first iPhone, the group announced the release of three new models of its star product – including the brand new iPhone X. The latter's retail price starts at USD 999 and it will be available for pre-ordering on 27 October with an official launch planned for 3 November.

The announcements backed up expectations. But investors are worried that the late launch of the iPhone X, which will only be shipping in November, will affect the group's sales during the crucial year-end period by shifting business to the following quarter. The first indication of take-up for the new iPhone will not be until early January, with the publication of quarterly results.

Apple is also launching a new iPhone 8 and 8 Plus, priced at USD 699 and USD 799. But fans may be tempted to wait for the release of the X because iPhone 8 and 8 Plus are not much different from predecessors.

The share has gained 35% year to date and rose especially strongly in the run-up to news of the tenth-anniversary iPhone.

We advise taking some profits based on current multiples, awaiting details as to whether the iPhone X will be commercial hit.

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